



Fallbrook Public  
Utility District



Fallbrook Public Utility District  
Fiscal Year 2023-24 Adopted Annual Budget

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# Fallbrook Public Utility District

990 East Mission Road  
Fallbrook, CA 92028  
760-728-1125  
www.fpud.com



## Current Board of Directors:

- District #1 - Dave Baxter
- District #2 - Ken Endter
- District #3 - Jennifer DeMeo, Vice-President
- District #4 - Don McDougal
- District #5 - Charley Wolk, President

## District Management:

- General Manager - Jack Bebee
- Assistant General Manager/CFO - David Shank

Acknowledgment: District Management would like to thank Jodi Brown, Aaron Cook, Mick Cothran, Noelle Denke, Kevin Collins, Mickey Case, Isabel Casteran, Kyle Drake, Jesse Perez, Steve Stone, Devin Casteel, Steve Wuerth, Carl Quiram, Eddie Rodriguez, Donald Parker, Veronica Tamzil, Annalece Bokma, Jason Jared, Christi Ray, Kelly Laughlin and Lisa Chaffin for their support in preparing this document.



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June 26, 2023

Board of Directors  
 Fallbrook Public Utility District  
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 Fallbrook, California 92028

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*Division 5*

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*General Manager*

David Shank  
*Assistant General Manager/  
 Chief Financial Officer*

Lauren Eckert  
*Executive Assistant/  
 Board Secretary*

General Counsel

Paula de Sousa  
*Best Best & Krieger*

**Budget Message**

Enclosed is the Fiscal Year 2023-24 Adopted Operating and Capital Budget (Budget) for the Fallbrook Public Utility District (District). The District is focused on executing the Board of Directors' goals and objectives through the continued implementation of the District's Strategic Plan, which is included at the beginning of the Budget document. These objectives help the District meet its overall objective, which is to benefit the community of Fallbrook by leveraging sound business practices to provide efficient and reliable services. The Budget presented here supports these goals and objectives.

**Implementing Change**

Marking the District's Centennial celebration, the Santa Margarita Groundwater Treatment Plant (SMGTP) was commissioned delivering treated Santa Margarita River water to ratepayers. This brought to end over 66 years of water rights litigation with Camp Pendleton Marine Corps Base and secured the District's rights to a local water supply. The seamless integrating of the SMGTP, an advanced water treatment facility, into system operations highlights the District's extensive preparation and the outstanding work performance of District staff. Looking forward this local supply will provide future District ratepayers long-term rate relief from increasing water costs at the wholesale and State levels.

The addition of a water treatment plant to District operations resulted in a significant change to the District's cost of service structure. To ensure rate payer equity was maintained, the District engaged an independent rate consultant to conduct a comprehensive cost of service study. After several public workshops were conducted and Board and stakeholder input reviewed, a cost of service study that included a comprehensive financial plan was developed. The financial plan provides a detailed road map going forward that maintains the District's fiscal sustainability for future generations.

**Water Affordability**

The District has faced a decade of escalating wholesale water costs driven by costly infrastructure investments by the San Diego County Water Authority (SDCWA) in supply reliability. This year SDCWA has adopted a 11.1% increase in the treated water supply rate. The treatment surcharge is increasing 14.3% while the supply rate is increasing 10.1%. SDCWA has increased the cost of treated water by 21% over the past two years. On average, This year's 11.1% increase highlights the operational challenges



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SDCWA is facing from both declining water demands and increasing operating and capital costs.

With SDCWA's fiscal sustainability in question, the District has initiated a process to change its water wholesaler to Eastern Municipal Water District (EMWD). This change would not only reduce the District's cost of water by approximately 30% but also maintain a comparable level of water supply reliability. The significant cost savings that would result from this change would help make the District's water more affordable for the community and help revitalize the region's agricultural industry and local economy.

As part of its preparation for the SMGTP operations, the District's has secured local supply development incentives from the Metropolitan Water District (MWD) that will offset some of SMGTP's operating costs. These grant funds are expected to make our local supply cheaper on average than water purchased from SDCWA, the District's wholesale water provider. This year the District estimates 60% of our water supply to come from the SMGTP.

### **Asset Management**

The District has implemented an asset management program that considers condition and consequence of failure when making asset renewal and replacement decisions. Our critical buried infrastructure, such as water mains, have an average service life of 80 to 100 years. In the past, the District's replacement cycle for buried assets was on a replacement cycle of 400 years. With this replacement cycle, the frequency of asset failures was expected to increase significantly over the near-term resulting in an increasing number of emergency water disruptions and property damage claims. In response, the District is proactively managing the renewal and rehabilitation program targeting prioritized assets and is on a path to drive the system service life down from 400 years to 100 years.

### **Continuous Improvement**

This year the District completed the Special District Leadership Foundation's District of Distinction Accreditation program. This program involves evaluators taking a deep dive into the District's fiscal and operational practices. The result is an independent assessment of the District's financial operations and disclosures. Receipt of the award demonstrates the District's execution of best management practices for fiscal transparency and disclosure.

The District completed the construction and commissioning of four Tesla battery power storage facilities worth \$4.6 million that were paid for with grant funds. The operations and maintenance of these storage facilities are grant funded and expected to save the District around \$100,000 a year on power costs over the next ten years. The District is also participating in the Low-Income Water Rate Assistance Program, which provides direct financial assistance to customers by paying a portion of their bill directly to the District. This year the District's received \$17,730 in direct bill relief from the program.





**Looking Forward**

The District is committed to advocating for its ratepayers and securing a reliable and affordable water supply. To this end, the District is focused on lowering its wholesale water costs by changing the District’s wholesale water provider. While this effort will be politically challenging, it has the potential to provide our customers with immediate and substantial rate relief.

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A handwritten signature in black ink, appearing to read 'Jack Bebee', written over a horizontal line.

Jack Bebee  
General Manager

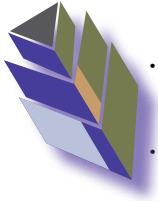
A handwritten signature in black ink, appearing to read 'David Shank', written over a horizontal line.

David Shank  
Assistant General Manager/CFO

## Budget in Brief

### Fiscal Year 2022-23 Accomplishments

- The District's new SMGTP was successfully commissioned and was able to process 100% of water supply available.
- The SMGTP was integrated into District's operations and was used to optimize water supply reliability and operating costs.
- Completed key pipeline replacement projects to maintain system reliability and improved the methodology for evaluating and prioritizing projects.
- Completed project of replacing meters with smart meters, Advanced Metering Infrastructure (AMI) and continued outreach to customers on how these meters can help them better monitor and reduce water use and water costs.
- The District completed and adopted the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report) based upon a detailed cost of service study and stakeholder input. Development and adoption of the Report included extensive public outreach and the completion of a Proposition 218 process setting the District's maximum rates and charges.
- Continued to move the District's LAFCO initiatives forward and completed the detachment negotiations with the San Diego County Water Authority (SDCWA).
- The District's Annual Comprehensive Financial Report (ACFR) and an annual budget documents received the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards



### Fiscal Year 2023-24 Goals

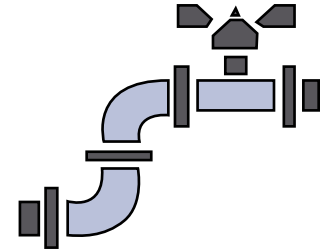
The Key Goals for the upcoming year include:

- Operate the District's SMGTP with a goal of receiving 100% of the Santa Margarita River water allocation.
- Optimize SMGTP operations to maximize supply reliability and minimize operating costs.
- Complete key pipeline replacement projects to maintain system reliability and improve the methodology for evaluating and prioritizing projects.
- Implement a new meter testing program that tests 400 meters a year.
- Continue to move the District's LAFCO initiatives forward and complete the detachment negotiations with the San Diego County Water Authority (SDCWA).
- Support the Community Benefit Program's activities and facilitate the execution of selected projects.
- Complete the review and selection of a third party administrator for the District's deferred compensation plans and implement fiduciary oversight of the plans.
- Implement and track new operational and financial performance indicators for water, recycled water and wastewater that can be used to benchmark performance.
- Produce an Annual Comprehensive Financial Report (ACFR) and an annual budget document that meet the Government Financial Officers Association's (GFOA) Excellence in Financial Reporting and Distinguished Budget Presentation Awards

Sources of Funds

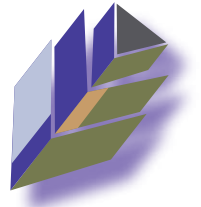
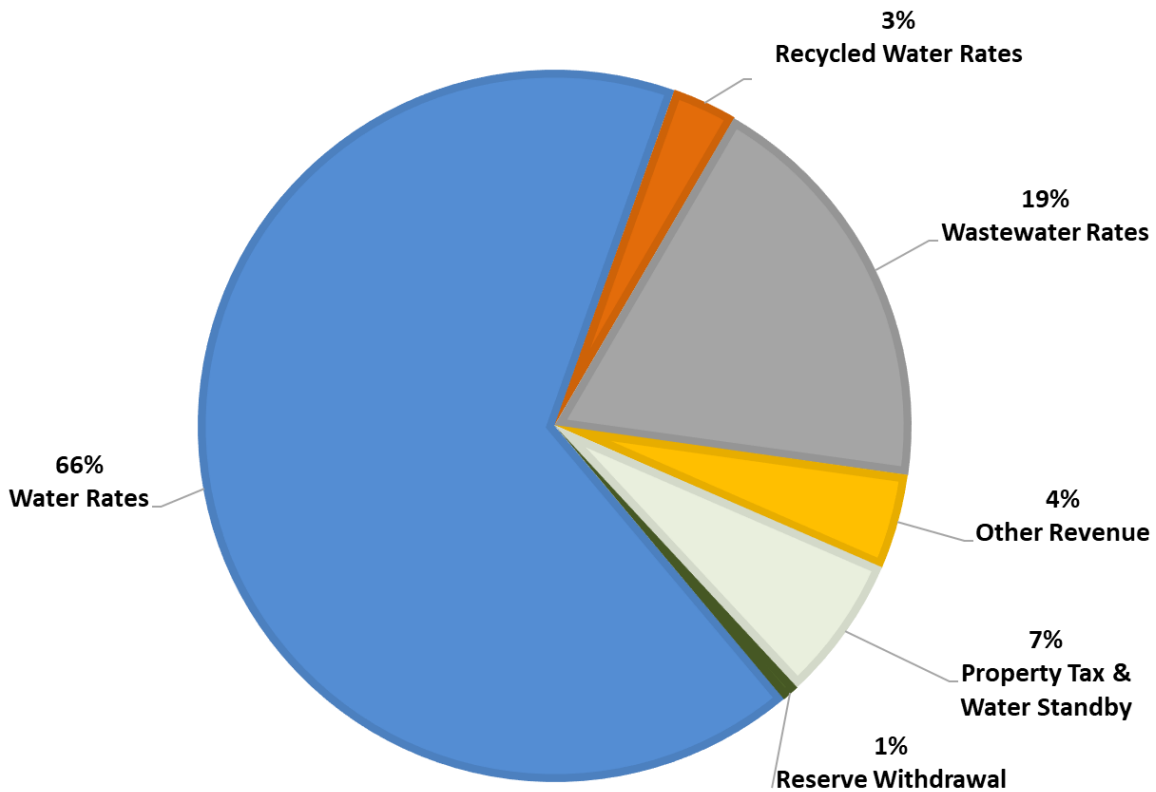
The water, recycled water and wastewater systems combined operating and non-operating revenues and net fund withdrawals are budgeted to be sufficient to fund the budgeted uses of funds. With Fiscal Year 2022-23 on track to set the District’s lowest ever annual water sales level, the Budget uses a water sales level that is approximately 6% below the long-term average of 8,000 AF at 7,500 AF. Based upon the Report, water, recycled water and wastewater rate increases for the Budget are projected at 6.5%, 2.5%, and 5%, respectively, for Calendar Year 2024. The Board will take action to adopt Calendar Year 2024 rates and charges in December of 2023 after it has reviewed the District’s Fiscal 2022-23 financial performance and any outcomes of the Detachment process.

Chart 1 shows a breakdown of the District’s \$44.1 million budgeted sources of funds. Rate and charge revenues make up 88% of the District’s total budgeted sources of funds. The District plans to fund renewal and replacement Capital Improvement Program (CIP) with cash on a Pay-As-You-Go (PAYGO) basis. A net fund withdrawal from reserves is budgeted this year driven by a higher than average level PAYGO funded CIP projects. The increase in CIP expenditures is driven by the deferral of capital projects due to supply chain delays and disruptions.



The new Sewer bill methodology, developed through the Cost of Service study, will help stabilize Wastewater revenues.

Chart #1 - Sources of Revenue Fiscal Year 2023-24 Total Revenue \$44,090,487



**Use of Funds**

The dramatic decrease in Water Supply costs, in spite of the adopted 11.1% increase in SDCWA's supply rates, highlights the District's transition from total reliance on SDCWA supplies to having a local water supply. The District expects to get approximately 60% of its budgeted water supply from the Santa Margarita River (SMR) this Budget cycle. The cost to treat the SMR water at the SMGTP is included in the Water Treatment Division's budget. The 80% increase in that division's non-labor costs are being driven by power and chemical costs to treat the SMR water. Because the SMGTP operations costs and SDCWA's imported water costs are budgeted differently, any changes in the water supply mix make year-over-year Budget comparisons more complex. However, the overall increase takes into account changes in the supply mix and cost structure to provide a good year-over-year budget comparison.

San Diego County Water Authority is increasing its treated water rate by 11.1% in CY 2024, pushing the District's water supply costs higher.

With the SMGTP construction completed and the facility operational, the District's full debt service for the project is due this fiscal year. The 43% increase in debt service is due to the payment of both principal and interest on the loan. Overall, the 5.7% increase in the Operating Budget is being driven by increases in the cost of SDCWA water, increased debt service costs and inflationary pressure on labor and non-labor costs.

**Table #1 - Overview of Total Services' Operating Budget**

Description	FY 2021-22	FY 2022-23			FY 2023-24	Budget to Budget Change (%)
	Actual	Original Budget	Amended Budget	Projected	Budget	
Water Supply Costs	\$ 13,245,830	\$ 13,617,771	\$ 11,780,714	\$ 11,780,714	\$ 9,558,078	-18.9%
Debt Service	3,621,118	3,730,508	3,822,936	3,822,936	5,463,081	42.9%
Total Labor *	5,847,082	6,064,174	6,400,447	6,400,447	6,813,579	6.5%
Total Non-Labor**	5,725,303	6,309,478	5,973,205	5,973,205	7,625,467	27.7%
<b>Operating Total</b>	<b>\$ 28,439,333</b>	<b>\$ 29,721,931</b>	<b>\$ 27,977,302</b>	<b>\$ 27,977,302</b>	<b>\$ 29,460,206</b>	<b>5.3%</b>
Benefits Expenses	3,940,375	4,057,087	4,057,087	4,057,087	4,400,781	8.5%
<b>Total Services</b>	<b>\$ 32,379,708</b>	<b>\$ 33,779,018</b>	<b>\$ 32,034,389</b>	<b>\$ 32,034,389</b>	<b>\$ 33,860,987</b>	<b>5.7%</b>
<b>Operating Budget</b>						

\* Total Labor does not include District's Benefits

\*\* Total Non-Labor includes \$544,536 for Community Benefit Program in FY 2023-24

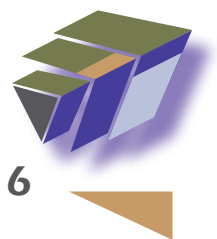
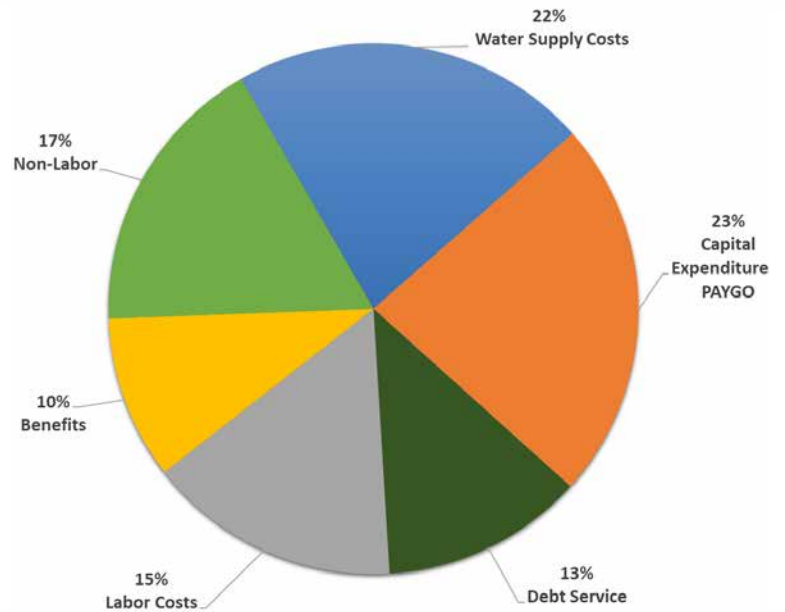


Chart 2 shows the breakdown of the District’s total use of funds. Labor related uses of funds represent 25% of the District’s budgeted uses of funds. Seventy-five percent of the District’s uses of funds are for non-labor related expenditures. Water supply costs are the District’s single largest ongoing use of funds.

**Capital Budget**

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The most significant on-going component of the capital program is the replacement of aging infrastructure. Chart 3 shows the annual CIP expenditures by project type. The Capital Budget for Fiscal Year 2023-24 is \$10.2 million. The budgeted amount for FY 2024 is above average due to the \$2 million carryover from FY 2023 for Pipeline Replacements.

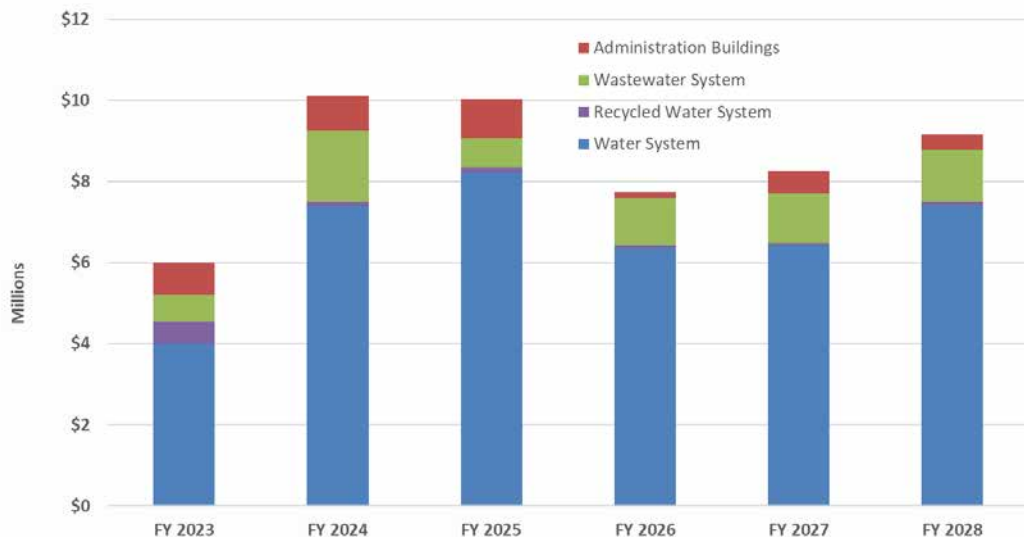
**Chart #2 - Uses of Funds Fiscal Year 2023-24**  
**Total Uses of Funds \$44,090,487**



**Water Supply Costs**

Water Supply Costs are made up of wholesale water purchases from SDCWA and the cost to pump the District’s Santa Margarita River Water out of the aquifer to the District’s water treatment plant.

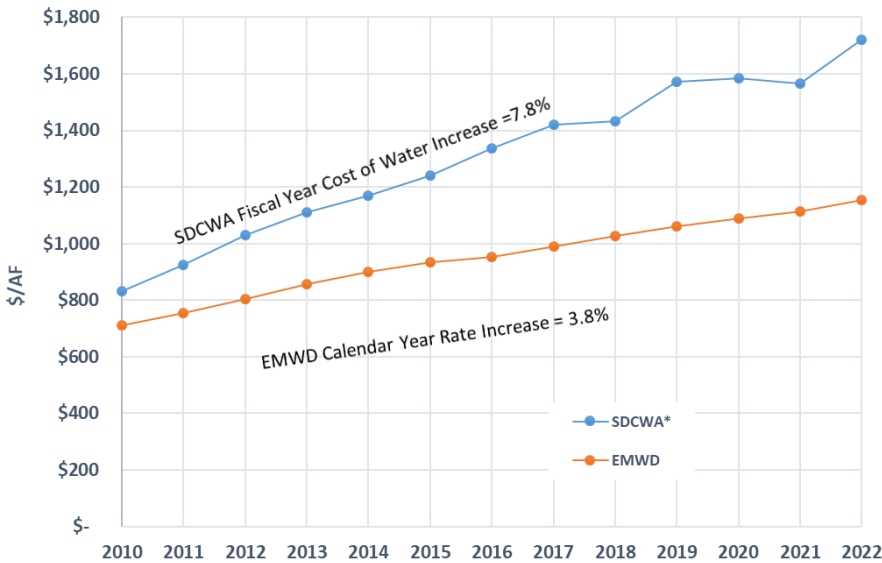
**Chart #3 - Fallbrook Public Utility District’s Annual Budgeted CIP Expenditures**



Financial Summaries

This year, as shown in the updated financial projections for Fiscal Year 2023-24 in Table 2, the District is projecting a withdrawal from reserves. Looking forward, the District has made a significant reduction in the projected water sales level due to a persistent trend of lower annual water sales. SDCWA, the District’s water wholesaler, continues to increase the region’s cost of water due to its high cost water supply mix that is comprised of water transfer deliveries from the Imperial Irrigation District (IID) and its purchase contract with Poseidon Resources. The District is pursuing detachment from SDCWA and annexation into Eastern Municipal Water District (EMWD) to save the District water users over 30% on their water costs. EMWD offers the District a reliable alternative wholesaler to SDCWA at a significantly lower cost. Chart 4 illustrates the per unit savings that the District would realize by purchasing its water from EMWD and shows EMWD maintains a lower average annual increase. As shown in the financial projections in Table 2, a budgeted reserve withdrawal of \$0.4 million is planned. Chart 5 shows the District’s reserve balances are expected to remain relatively stable but below the target fund levels. The District is projected to maintain a debt service coverage level in excess of its required 1.2x.

Chart #4 - District’s Estimated Wholesale Water Costs



**CHANGING WATER WHOLESALER**

The LAFCO decision on the District’s proposed detachment from SDCWA will determine if ratepayers will see a 30% decrease in the wholesale cost of water or continued wholesale water rate increases as SDCWA pursues a high cost water reliability strategy.

\*Based on total SDCWA charges paid by the District.

Chart #5 - District’s Fund Balances and Target Balance Level

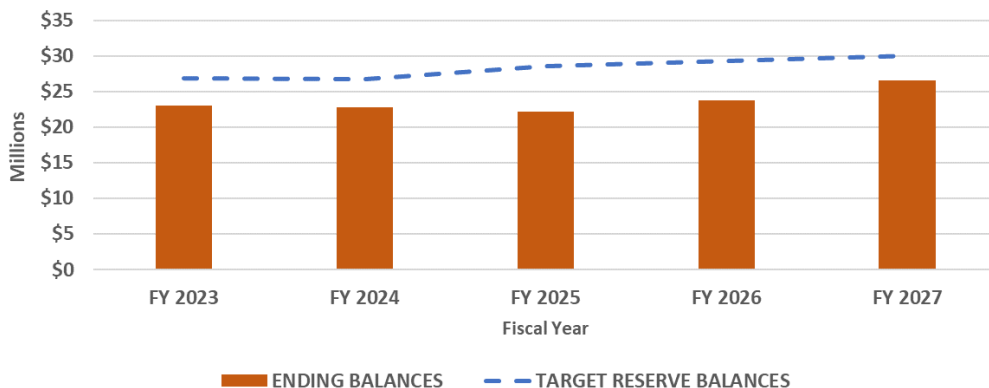




Table #2 - Fallbrook Public Utility District's Financial Summary

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Revenues</b>					
<b>Revenue from Rates</b>					
Water	\$ 24,579,212	\$ 27,603,306	\$ 29,453,472	\$ 31,411,174	\$ 33,492,715
Recycled Water	1,267,442	1,299,770	1,331,501	1,364,396	1,398,435
Wastewater	6,820,069	6,971,339	7,285,954	7,604,301	7,926,443
<b>Subtotal Revenue from Rates</b>	<b>\$ 32,666,723</b>	<b>\$ 35,874,415</b>	<b>\$ 38,070,927</b>	<b>\$ 40,379,871</b>	<b>\$ 42,817,593</b>
<b>Other Operating Revenue Subtotal</b>	<b>\$ 1,134,807</b>	<b>\$ 983,142</b>	<b>\$ 1,010,035</b>	<b>\$ 1,054,487</b>	<b>\$ 1,102,051</b>
<b>Non-Operating Revenue</b>	<b>\$ 6,887,767</b>	<b>\$ 6,881,779</b>	<b>\$ 6,994,606</b>	<b>\$ 7,176,844</b>	<b>\$ 7,407,064</b>
<b>Total Revenues</b>	<b>\$ 40,689,298</b>	<b>\$ 43,739,336</b>	<b>\$ 46,075,567</b>	<b>\$ 48,611,203</b>	<b>\$ 51,326,709</b>
<b>Total Operating Expenses</b>					
	\$ 28,211,454	\$ 28,397,906	\$ 31,924,439	\$ 33,446,507	\$ 35,000,139
<b>Net Operating Revenues</b>	<b>\$ 12,477,844</b>	<b>\$ 15,341,430</b>	<b>\$ 14,151,128</b>	<b>\$ 15,164,696</b>	<b>\$ 16,326,569</b>
<b>Total Debt Service</b>	<b>\$ 3,822,936</b>	<b>\$ 5,463,081</b>	<b>\$ 5,465,583</b>	<b>\$ 5,461,244</b>	<b>\$ 5,461,925</b>
<b>Total Capital Expenditures</b>					
	\$ 6,042,979	\$ 10,229,500	\$ 9,216,162	\$ 8,155,115	\$ 8,069,006
<b>Total Expenditures</b>	<b>\$ 38,077,369</b>	<b>\$ 44,090,487</b>	<b>\$ 46,606,184</b>	<b>\$ 47,062,866</b>	<b>\$ 48,531,070</b>
<b>Change in Net Position</b>	<b>\$ 2,611,929</b>	<b>\$ (351,151)</b>	<b>\$ (530,616)</b>	<b>\$ 1,548,337</b>	<b>\$ 2,795,639</b>
<i>Beginning Balances</i>	\$ 20,469,853	\$ 23,081,782	\$ 22,730,631	\$ 22,200,015	\$ 23,748,352
<i>Ending Balances</i>	\$ 23,081,782	\$ 22,730,631	\$ 22,200,015	\$ 23,748,352	\$ 26,543,990

Monitoring District Performance

The District has added, as part of the District's efforts to optimize operations and monitor operational and financial performance, several Key Performance Metrics (KPIs) to its Performance score card. Each of the KPIs is tied to a District strategic objectives and is both meaningful and measurable. The KPIs were selected to provide a means to compare the District to peer agencies to evaluate the District's relative performance. Since this is the first year of implementation, there is not much historic information available. As time progresses, the KPI data will provide valuable information to managers and stakeholders.

Table #3 - District's Key Performance Indicators

Strategic Goal	Department	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	Target Met
Water Supply	Water	Cost/Acre Foot of SMGTP Product Water Supply	Below \$1,500/AF	\$1,640/AF*	Not Available	No
Infrastructure	Wastewater	Cost/MGD of Wastewater Influent Flows	Below \$3,500/MGD	\$3,497/MGD	Not Available	Yes
Fiscal Management	Finance	Debt Coverage	>1.20	2.05	Not Available	Yes
Fiscal Management	Finance	Days Cash on hand	90 days or greater	109 days	Not Available	Yes

\* FY 2021-22 was the first year of SMGTP's operation which included additional startup costs that exceeded normal year expenditures.

## Budget User Guidance\*

The District's Fiscal Year 2023-24 Adopted Budget is organized and presented in a manner to better communicate the District's financial operations. Through enhanced transparency stakeholders will be better able to understand the District's costs and cost structure. The budget sections and a summary of the information provided in them is provided below:

**Introduction** – This section provides basic information on the District including history, governance, location and community profile and organizational structure.

**Fund Structure** – This section provides a description of the District's fund structure and financial policies.

**Financial Summaries** – This is a high level summary of the District's financial performance. Summaries for the Water, Wastewater and Recycled Services are shown in Appendix A.

**Sources of Funds** – This provides the projected revenues the District will receive and the underlying assumptions driving changes in the revenues.

**Operating Budget** – This section outlines the District's operating expenditures in addition to providing staffing and descriptions of activities and goals of each component of the District's operations. The benefit costs, debt service costs and how the cost are allocated to different services is also included in this section.

**Capital Budget** – This section outlines the District's capital expenditures and provides a description of the project. The description includes a summary of the project in addition to the project's cost and schedule.

**Appendices** – These provide historical and additional information on the District's financial operations, service area and policies.

\* Tables may not foot due to rounding.



# DISTINGUISHED BUDGET PRESENTATION AWARD



GOVERNMENT FINANCE OFFICERS ASSOCIATION

## *Distinguished Budget Presentation Award*

PRESENTED TO

**Fallbrook Public Utility District  
California**

For the Fiscal Year Beginning

**July 01, 2022**

*Christopher P. Morill*

Executive Director

# OPERATING BUDGET EXCELLENCE AWARD



## DISTRICT TRANSPARENCY CERTIFICATE OF EXCELLENCE



## DISTRICT OF DISTINCTION-Special District Leadership Foundation



## About the District

### History

Fallbrook is an unincorporated community in San Diego County. The first permanent recorded settlement in Fallbrook was in 1869, in the east area of the District, which later became Live Oak County Park. While agriculture has always played a major role in the community, the first plantings were olives and citrus. These crops were replaced in the 1920's by avocados and it wasn't long before Fallbrook became generally recognized as the "Avocado Capital of the World."



Water Reclamation Plant on Alturas Road, before Camp Pendleton. Photo courtesy of Tom Rodgers, (1922)

Fallbrook Public Utility District (District) was incorporated on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles). To meet the growing demand for water, additional ground water supplies were developed along both the San Luis Rey and Santa Margarita rivers.

The District became a member of the San Diego County Water Authority (SDCWA) at its formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted

### Service Area / STATISTICS

- 44 square-mile service area
- Population: 35,000
- 9,300 water customers
- 5,000 sewer customers
- 30 recycled water customers
- 70 employees budgeted
- \$33 million operating revenues
- \$219 million in total assets
- 7,500 acre-feet sold annually

by the Metropolitan Water District of Southern California (MWD). When Colorado River water became available in 1948, consumption within the District gradually increased to approximately 10,000 acre-feet per year by 1959. Then in 1978, MWD augmented its supply system with water from the California State Water Project and began delivering water from both systems to San Diego County. Today, the SDCWA provides virtually all of the District's potable water.

### Diversifying the District's Water Supply: The Santa Margarita River

Back when the District used to produce some of its water from the Santa Margarita River, it did so using a small pump in the river, under a direct diversion license from the state of California. In 1948, additional water permits were obtained for diversion facilities and construction of a proposed 150-foot dam that would store 30,000 acre-feet of river water. The diversion works for the small pump were destroyed in 1969 by floods and was not rebuilt. Subsequently the state canceled the small-diversion license for lack of use, but the 30,000 acre-foot storage permit remained in place while the dam was being planned. The proposed dam, and associated water supply, immediately hit some hurdles. In 1951, soon after the District had obtained water permits from the state, the federal government filed suit against the District over water rights on the river, to quiet its title to the adjudicated rights accruing to the U.S. Marine Corps Base Camp Pendleton. The lawsuit, the U.S. v. Fallbrook case, is the oldest civil case in the county. For more than 66 years, the District has

been attempting to develop a permanent local water supply on the Santa Margarita River.

In 1968, a Memorandum of Understanding and Agreement was signed with the Federal Government to develop a two-dam reservoir project on the river that would benefit both Camp Pendleton and the District. This agreement was the culmination of 17 years of litigation. The federally sponsored project was known as the Santa Margarita Project. It never came to fruition however, due to environmental issues, new faces in leadership, and lack of funding.

Then in January 2018, the District's Board of Directors signed an agreement with Camp Pendleton in a landmark settlement, resolving the U.S. v. Fallbrook case and in April 2019, the federal court adopted the settlement. As part of the settlement, river water will flow to Camp Pendleton and be stored in recharge ponds that seep into an underground aquifer there. That stored water will be pumped out of the ground and piped back to the District when available. The Santa Margarita River Conjunctive Use Project (SMRCUP) provides a local supply, reducing dependence on expensive wholesale purchases from the SDCWA, and is expected to provide just over half of the District's water needs on average.

Fiscal Year 2023-24 marks the first full year water deliveries from the SMRCUP will be delivered to the District's ratepayers. To treat SMRCUP water deliveries, the District has constructed a \$65.7 million Santa Margarita Groundwater Treatment Plant (SMGTP).

### Wastewater and Recycled Water History and Mergers

The District's scope of operations grew in 1994 when the Fallbrook Sanitary District merged with the District. It had provided parts of Fallbrook with recycled water and wastewater service within a 4,200 acre area of downtown. The District took over those services, and the same year the playing fields at Fallbrook High School started receiving reclaimed water as its source of irrigation water. So did two new large nurseries. For the next ten years, the District's Reclamation Plant (Plant) began receiving a series of awards for safety in operations. In 2015, the District completed a major overhaul, upgrade and expansion of the Plant. The \$27 million project took three years to complete, replacing aged and aging equipment, and allowed for a substantial expansion of the District's recycled water distribution system. The overhaul involved upgrades to the existing Plant to improve reliability in operation and created much-needed storage space for recycled water.



**Services**

The District provides residents, businesses and agricultural customers with full-service water, wastewater and recycled water services.

**SANTA MARGARITA GROUNDWATER TREATMENT PLANT and PUMPING STATION / STATISTICS**

Fallbrook Public Utility District completed this project in Fiscal Year 2022 and began having its own cost-effective supply that same year.

**Water System**

In the past, the District imported 99% of its potable water from the SDCWA with the remaining 1% coming from a local well. With the Santa Margarita Groundwater Treatment Plant (SMGTP) now operational, a significant amount of the District’s water supply will be provided through its Santa Margarita River Water Rights. This new local supply is expected to reduce the average annual amount of water purchased from SDCWA by 40% or more and change the District’s cost structure. The District’s cost to treat and deliver the local water supply is expected to be less than the current cost of purchasing the same amount of water from SDCWA. With a local supply available, the District’s ratepayers are not only saving on the cost of water but also limiting the impact of future SDCWA rate increases.

- Minimum Plant Capacity-1.2 Million Gallons per Day (MGD)
- Maximum Plant Capacity-7.8 MGD



Aerial View of the SMGTP

The District’s water distribution system is comprised of 270 miles of pipeline, 6,800 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 300-million-gallon treated water reservoir, five pump stations and a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District has nearly completed an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use. The District has 4 connections to the imported water system, three of the four are directed connected to MWD owned pipelines and the fourth which is currently not in use is connected to SDCWA’s pipeline.

The District’s five-year average annual water sales is 7,977 acre-feet. Residential and commercial customers represent 68% of sales, and agricultural customers make up the remaining 32%. The District’s historic sales trend is down due to improved water efficiency for both residential and commercial indoor and outdoor use, combined with sharp decreases in agricultural water demands. The decrease in agricultural water demands is being driven by the economics of agriculture production and the fact that high wholesale water costs make only limited crops profitable. The District’s agricultural water sales have reduced from 7,000 acre-feet in Fiscal Year 2008 to 2,086 in Fiscal Year 2022 or down 70%.

## Wastewater System

The District's wastewater system is comprised of 78 miles of buried sewer lines and force mains, a 2.7 million gallon per day water reclamation plant, a 1-megawatt solar facility and a 12-mile ocean outfall line.

## Recycled Water System

The District's recycled water system includes 10.5 miles of buried pipe. Currently the District has 30 recycled water customers, and delivers an average of 0.6 million gallons per day to them. The District provides recycled water for nurseries, sports fields, home owners' associations, Fallbrook High School, street medians, and for freeway irrigation. In 2015, the District completed a \$27 million expansion and upgrade to the water reclamation plant to improve reliability of operation and provide storage for recycled water. The project was completed ahead of schedule and under budget.

To help new users tap into the expanding recycled water system, the District secured funding from the Department of Water Resources through the Prop. 84 grant program. In 2014, the District held a workshop to assist growers with planning, getting permits, purchasing new equipment and receiving grant funds. Assisting growers through the entire process has helped bring new recycled customers online. The project included expanding the recycled water distribution system in order to add new large water users.

The District has received grant funding to explore development of a joint Indirect Potable Reuse Project with Camp Pendleton Marine Corps Base.

## Governance and Organizational Structure

The District's Board is made up of five community members who serve overlapping four-year terms. In March 2016, the Board unanimously approved a resolution to change the method of electing board members to "election by district" and approved a map identifying five territorial units within the District. Each director, therefore, is elected by the registered voters of the sub-district he or she resides in, within the District's service area. To run for office, a candidate must live in the area he or she is running to represent. Prior to 2016, directors would win a seat on the board by being the top vote-getters, regardless of where they lived within the District.

### Current Board of Directors:

**District #1 - Dave Baxter**

**District #2 - Ken Endter**

**District #3 - Jennifer DeMeo, Vice-President**

**District #4 - Don McDougal**

**District #5 - Charley Wolk, President**



## Service Area and Local Economy

San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District's service area and pipeline is shown in the accompanying maps. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District's service area a bedroom community for Camp Pendleton's active military and civilian-service workers. The service area's 2021 population is estimated to be 34,738 with 10,134 households. Fallbrook's population has remained relatively unchanged over the past several years.

Figure #1 - District Service Area Pipelines

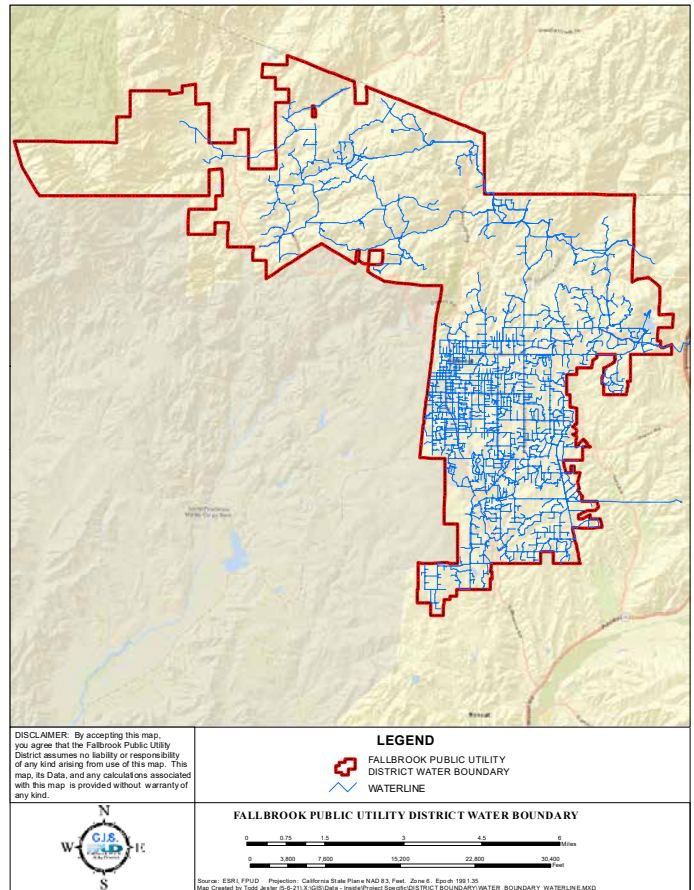
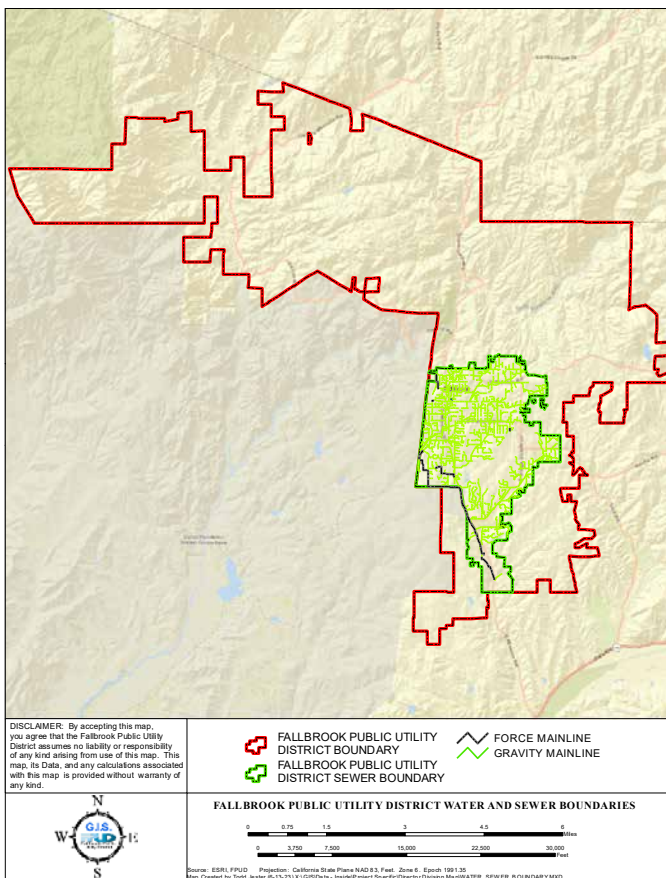


Figure #2 - District Sewer Boundary Mains



The median household income in Fallbrook was \$73,165, which is less than the state median of \$84,097 and slightly higher than the national average of \$69,021. As of April 2023, San Diego County's unemployment rate was 3.3%, which is lower than the State's 4.3%.

The San Diego Association of Governments (SANDAG) projects that the County's population will approach 3.7 million residents in 2050, up from 3.3 million in 2021. The District's 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.

## District's Strategic Plan for FY 2023/2024

**Mission Statement:** To benefit the community of Fallbrook by providing efficient and reliable services.

### #1 Strategic Focus Area | Water Supply

**District Goal:** Provide a reliable, cost-effective water supply through optimizing operation of local water supply projects and securing the most cost effective source of imported water.

#### Fiscal Year 2023-24 District Objectives:

1. Maximize deliveries of local water by coordinating closely with Camp Pendleton on Santa Margarita water supply operations.
2. Take all necessary steps to ensure the District's LAFCO application to switch water wholesalers and reduce water costs continues to move towards LAFCO approval and a vote of District ratepayers.
3. Support federal funding to help support additional dry year supplies for the SMRCUP in coordination with Camp Pendleton through implementation of an Indirect Potable Reuse (IPR) project.
4. Utilize an updated recycled water master plan expand recycled water service to increase utilization of existing supplies with the District service area.

### #2 Strategic Focus Area | Infrastructure

**District Goal:** Maintain reliable infrastructure to our customers in the most cost-effective manner.

#### Fiscal Year 2023-24 District Objectives:

1. Complete capital projects in accordance with approved budget and asset-management plan. Maintain utilization of District construction crews with proactive replacements versus reactive repairs. Make any necessary adjustments to meet pipeline and valve replacement targets to ensure long-term reliability of our water infrastructure.
2. Implement the asset-management plan to track project costs and help prioritize projects. Leverage this data to make continued improvements in determining the most effective project approaches.

### #3 Strategic Focus Area | Efficiency

**District Goal:** Create a District culture of continuous improvement through the implementation of systems, processes and goals for all aspects of the organization.

#### Fiscal Year 2023-24 District Objectives:

1. Continue implementation and reporting of Key Performance Indicators (KPIs) for engineering, operations, finance, customer service and public outreach. Tie KPIs to nationally recognized Effective Utility Management (EUM) goals and measure against applicable national bench-marks.
2. Improve the efficiency of operations by developing additional metrics and reporting using the recently implemented Enterprise Asset Management (EAM) System.
3. Build on recently implemented regional collaboration programs and new contract service opportunities with Camp Pendleton to evaluate new ways to reduce operating costs through shared resources without reducing the level of service.

## #4 Strategic Focus Area | Community

**District Goal:** Improve experience for our customers to help provide a positive impact on the community we serve.

### Fiscal Year 2023-24 District Objectives:

1. Provide administrative support for the implementation of the community benefit program to ensure that funds are being used efficiently to provide value to the community through the enhancement of public spaces in the District.
2. Continue to improve customer engagement and promote District benefits to the Community through social media and quarterly newsletters.
3. Further improve the District Budget to identify clearly to the public how costs are allocated and how resources are being managed. Continue to produce an ACFR and achieve a GFOA and California Society of Municipal Finance Officers (CSMFO) budget awards. Achieve District of Distinction from the California Special District's Association.

## #5 Strategic Focus Area | Workforce

**District Goal:** Develop a resilient organization so that key positions can be filled internally with capable staff with proper training and education.

### Fiscal Year 2023-24 District Objectives:

1. Expand implementation of the career development program that identifies future leaders in the organization and provides them training and a clear sense of future opportunities. Continue to leverage capabilities of existing staff and expand their responsibility when they show potential to develop a long-term pipeline for advancement of internal qualified candidates.
2. Continue to expand cross-training and external training program for staff, and provide new opportunities and challenges for motivated employees. Reconstitute programs and events to recognize employees and improve employee recognition program.
3. Continue to participate in the regional internship program and expand the District's internship program.
4. Participate in regional efforts to improve local education, training and internship programs to bring more qualified applications into the industry. Lead efforts to help address existing regulatory bottlenecks in advancing the Water/Wastewater workforce.
5. Participate in key local and national organizations in the water/wastewater industry, including participating in presentations on District and trainings to improve recognition of the District as an effectively managed and forward-looking utility.



## Budget Basis

The District’s accounting system and practices are based upon Generally Accepted Accounting Principles (GAAP) and are kept on an accrual basis. Under the accrual basis, revenues are recognized when earned and expenditures are recognized when a liability is incurred. The District’s budget is prepared on a cash basis, which means that projected revenues are recognized when cash is assumed to be received and projected expenses are recognized when cash is disbursed.

The District operates as an enterprise fund, which has a set of self-balancing accounts that record the financial position of each of the District’s services. The service funds track revenues from service fees and operating expenses specific to each service. This, in turn, makes each service fund independent and self-sufficient, and also ensures service fees are set to recover only costs associated with the particular service.

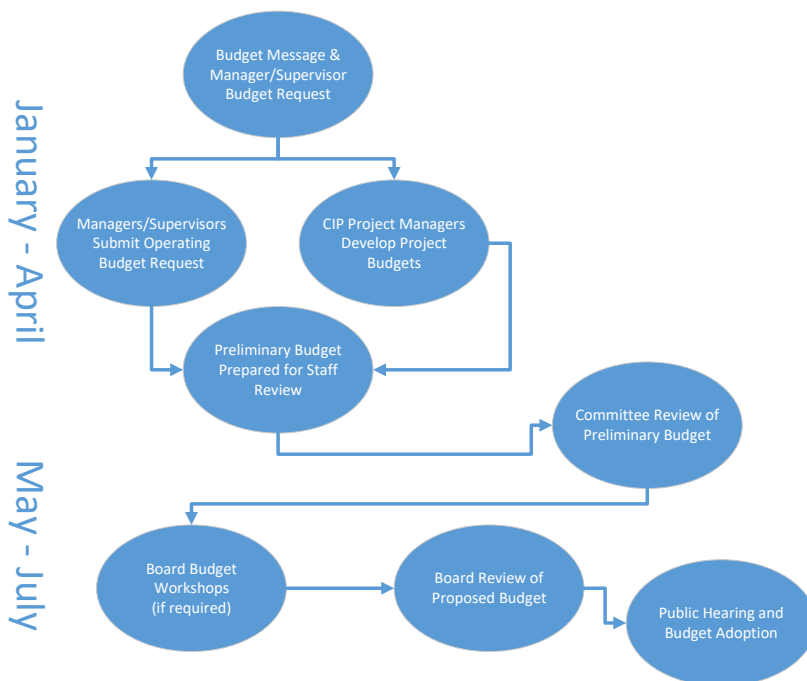
Budget adjustments are made if projects or expenditures are needed that fall outside the District’s adopted budget. These items are brought to the Board for approval and to appropriate the funds. A mid-year budget update is also provided to the Board each year to update spending trends and identify early any potential shortfalls. The District maintains a balanced budget, which means that sources of funds equals uses of funds. Reserve fund withdrawals, if necessary, provide a source of funds. Likewise, deposits to reserves are a use of funds and are unappropriated balances.

## Budget Process

Each year, the District develops and adopts a new budget for the upcoming fiscal year. The budgeting process begins in January and starts with the budget message. The budget message establishes the priorities of the District in the next fiscal year and provides budget managers guidance on how to prioritize their budget needs. Along with the budget message, each manager/supervisor is provided a spreadsheet that has the current and projected operating expenditures for the current fiscal year and a placeholder for the proposed operating budget.

Each manager/supervisor then evaluates funding needs. Meetings with staff to review planned activities, as well as funding needs for services and equipment, are part of the process to develop and fill in the budgetary needs for each Division. Each manager/supervisor submits operating budgets by the end of February.

Figure #3 - Fallbrook District’s Annual Budget Process



While the operating budget is being developed, the CIP managers meet with the General Manager to develop the CIP project budgets for the upcoming fiscal year as well as the next five years of budgets. The CIP budgets are submitted by the end of February along with the operating budget.

The capital and operating budget are included in the District’s preliminary budget. Once assembled, the preliminary budget is reviewed by the General Manager and staff in a series of meetings. Adjustments are made to the preliminary budget and the revised preliminary budget is reviewed by the Fiscal Policy and Insurance Committee. Once the Committee’s comments are incorporated and the proposed budget developed, budget workshops with the Board, if required, are held. The final proposed budget is then sent to the Board for review. Once Board comments are incorporated into the document, a public hearing, if necessary, is held and the recommended budget is adopted. **Appendix C provides the Board Resolution.**



**DISTRICT ORGANIZATIONAL CHART**

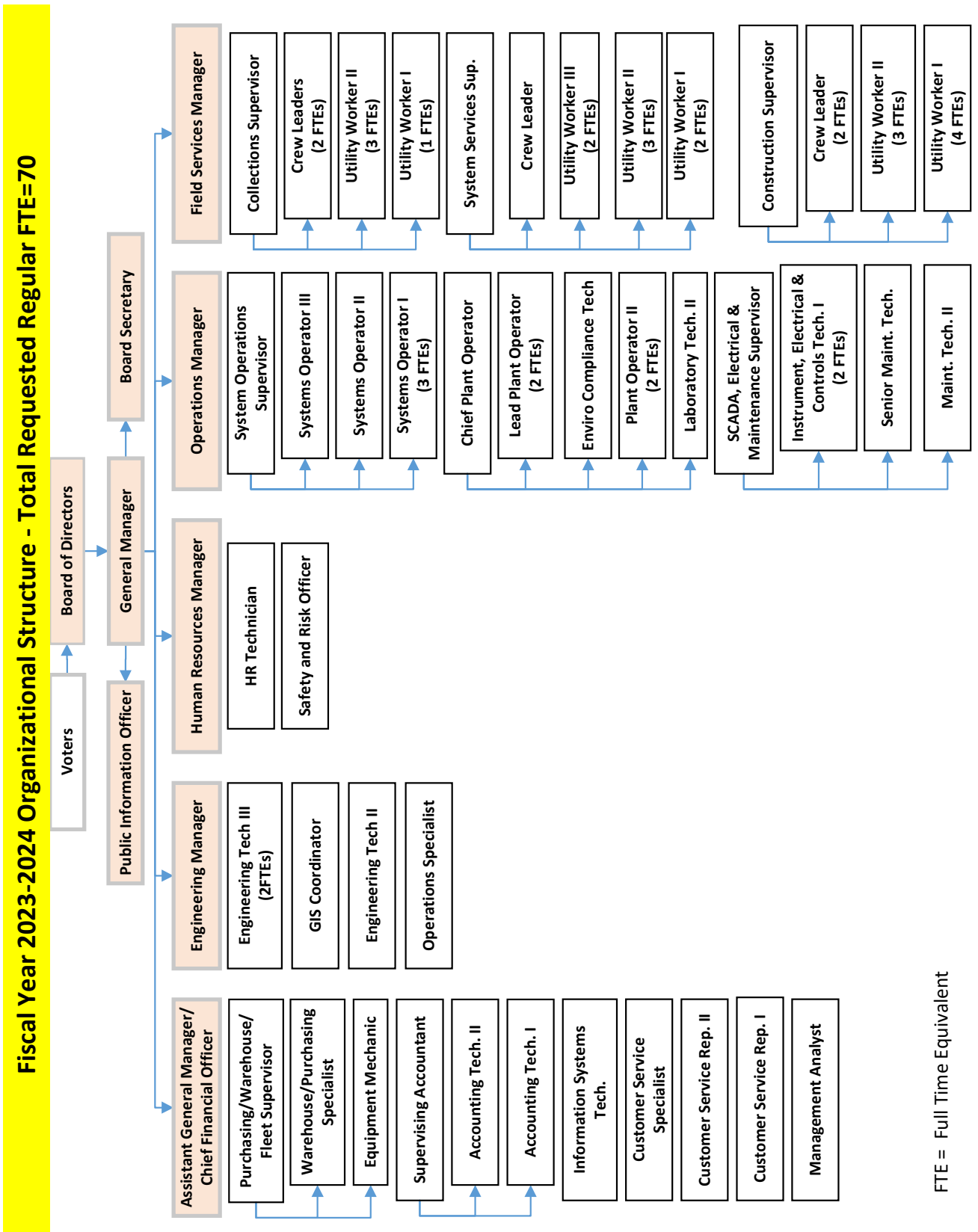
The District maintains an efficient level of staffing which requires an organizational structure that is very flat, with staff working across services and filling a variety of roles. The organizational chart provided is designed to illustrate the District’s structure and staffing levels. The Proposed Budget includes 70 Full Time Equivalent (FTE). The boxes under Administrative, Water, Wastewater and Recycled Water Services represent functional groups called Divisions. However, in some cases (Human Resources & Engineering Services) a division of Administrative Services is identified separately.

The Administrative Services department includes all functions that are necessary for the District to operate, but are not specific to Water, Wastewater or Recycled Water Services. While this includes a wide range of activities, these costs are recovered through water, wastewater and sewer rates. The Operating Budget Section provides a detailed discussion of how these costs are recovered through rates and charges. Each Division is a function with the Services. For example, Wastewater Services is comprised of two Divisions. The function of each Division is discussed in the Operating Budget Section.

Water, Wastewater and Recycled Water Services are the District’s other services. The Divisions within each of these services are shown on the organizational chart. Water services is comprised of four Divisions while the other services are broken into two Divisions. The organizational chart shows the Water, Wastewater and Recycled Water Services reporting to two managers that manage multiple services. The function of each division is discussed in the Operating Budget Section. **Appendix B provides a summary of FTE counts.**

The District introduced the Community Benefit Program (CBP) in Fiscal Year 2022-23. In Fiscal Year 2023-24 the Administrative Services department will allocate .01 FTE from existing staff hours to be directed toward this activity.

Figure #4 - Proposed Fiscal Year 2023-24 Organizational Structure <sup>1</sup>



FTE = Full Time Equivalent

1. An FTE is the hours worked by one employee on a full-time basis for one year. This is equal to 2,080 hours.

## Fund Structure

The District’s fund structure is simple and set up to support the independent financial operation of the District’s Water, Wastewater and Recycled Water Services (the Services) and the Community Benefit Program (CBP). Each of the District’s Services has an Operating Fund and a Capital Fund that track sources and uses of funds as well as cash balances. The Operating Funds receive operating and certain non-operating revenues and fund operating expenses for each of the Services. The District’s Capital Funds receive certain non-operating revenues that are restricted to capital uses (i.e. Capital Improvement Charges) and fund the District’s capital expenditures, including a portion of debt service. The recently created CBP only has an Operating Fund. Once active, the CBP Operating Fund will track all transactions related to the CBP financial activity.

### Overview of Fund Structure

Water Services		Recycled Water Services		Wastewater Services		Community Benefit Program
Operating Fund	Capital Fund	Operating Fund	Capital Fund	Operating Fund	Capital Fund	Operating Fund

The District’s reserves and target reserve amounts were restructured as part of the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report). The District’s current fund structure and a description of each fund and the fund’s reserve target balances are provided below:

### Water Services Funds

#### Operating Fund

The primary source of funds for the Water Services Operating Fund are water sales, fixed monthly service charges and pass-through charge revenues. Expenditures that flow through the fund included water operations labor and non-labor, water purchases and a portion of the District’s Administrative Services costs.

**Operating Fund Reserves:** Established to maintain six months operating and maintenance expenses including water purchases. The Operating Fund Target for Fiscal Year 2023-24 is \$10.3 million.

#### Capital Fund

The primary source of funds are the Water Capital Improvement Charges, property tax and standby availability charge receipts, annexation fees, and capacity charges. Capital Improvement Expenditures and debt service expenditures flow through this fund.

**Capital Fund Reserve:** Established to maintain \$5 million to fund emergency repairs or replacements. The primary source of funds for the Capital Fund are Water Capital Improvement Charge, Water Standby Availability Charge, and Capacity Charge revenues. The Operating Fund Target for Fiscal Year 2023-24 is \$5 million. Funds related to the 1958 Annexation and the DeLuz Service Area bond proceeds are tracked separately in the fund.

**Debt Service Reserve:** This reserve was established to buffer the variability of water deliveries from the SMRCUP in dry years. In years that the SMCUP does not produce water, the reserve will be available to fund debt service payments on the project. Therefore, the reserve target level is set equal to two years of debt service payments on the SMRCUP financing or \$5.6 million. The reserve has been prefunded with the \$6.2 million from the sale of the District's Santa Margarita Property in Fiscal Year 2018-19.

## Recycled Water Services Funds

### Operating Fund

The primary source of funds for the Recycled Water Operating Fund are sales and fixed service charge revenues. Expenditures include Recycled Operating labor and non-labor and a portion of the District's Administrative Services costs.

**Operating Fund Reserve:** Established to maintain six months operating and maintenance expenses. The Operating Fund Target for Fiscal Year 2023-24 is \$0.4 million.

### Capital Fund

The primary source of funds for the Recycled Water Services Fund are Recycled Water Operating Fund transfers followed by a portion of the property tax receipts. Expenditures include CIP project expenditures and debt service.

**Capital Fund Reserves:** Established to maintain \$0.2 million to fund emergency repairs or replacements. The primary source of funds for the Capital Fund are transfers from the Operating Fund. The Capital Fund Target for Fiscal Year 2023-24 is \$0.2 million.

## Wastewater Services Funds

### Operating Fund

The primary source of funds for the Wastewater Operating Fund are wastewater monthly and flow service charges and investment earnings. Expenditures include Wastewater Operating labor and non-labor and a portion of the District's Administrative Services costs.

**Operating Fund Reserve:** Established to maintain six months operating and maintenance expenses. The Operating Fund Target for Fiscal Year 2023-24 is \$3.3 million.

### Capital Fund

The primary source of funds are Wastewater Capital Improvement charges, connection fees, property tax receipts, and meter fees. Expenditures include CIP project expenditures and debt service.

**Capital Fund Reserve:** Established to maintain \$2 million to fund emergency repairs or replacements. The primary source of funds for the Capital Fund are Wastewater Capital Improvement Charge and Wastewater Capacity Charge revenues. The Operating Fund Target for Fiscal Year 2023-24 is \$2 million.

## Community Benefit Program Fund

The sole source of funds for the Operating Fund are a portion of the District's property tax revenues. There is no reserve target for this fund.



**Fund Summary**

The Districts total water target fund balance (20.9 million) equals the water services operating fund (10.3 million), the water services capital fund (5 million) and the water debt services fund (5.6 million). The total recycled water target fund balance (0.6 million) equals the recycled services operating fund (0.4 million) and the recycled water services capital fund (0.2 million). The total wastewater target fund balance (5.3 million) equals the wastewater services operating fund (3.3 million) and the wastewater services capital fund (2 million). The District’s projected Fiscal Year 2023-24 year-end balances are shown in the table below.

**Table #1 - Total Fund Balances**

<b>Service</b>	<b>Target Balance (Millions)</b>	<b>Projected Fiscal Year 2023-24 Ending Balance (Millions)</b>
Water	\$ 20.9	\$ 19.2
Recycled Water	\$ 0.6	\$ 0.2
Wastewater	\$ 5.3	\$ 2.8
Community Benefit Program	N/A	\$ 0.5
<b>Total</b>	<b>\$ 26.8</b>	<b>\$ 22.7</b>

**Other Funds Maintained by the District**

**Section 115 Pension and OPEB Trust Fund**

This fund was set up in Fiscal Year 2016-17 as an irrevocable trust established for the benefit of the pension and Other Post-Employment Benefits (OPEB) beneficiaries. The fund is managed by Public Agency Retirement Services (PARS) and is restricted in its use to funding pension and OPEB expenditures. The funds restricted for OPEB and pension costs are tracked in the fund. The fund balance was \$9.8 million on March 31, 2023. The District OPEB obligation is nearly fully funded and no additional contributions will be made this budget. The District has developed a strategy to use returns from the fund to help off-set on-going OPEB costs. Details on the District’s pension and OPEB obligations are provided in Appendix D.

**District’s Financial Management Policies**

The District maintains certain policies that govern aspects of the District’s financial management. The District maintains the following policies:

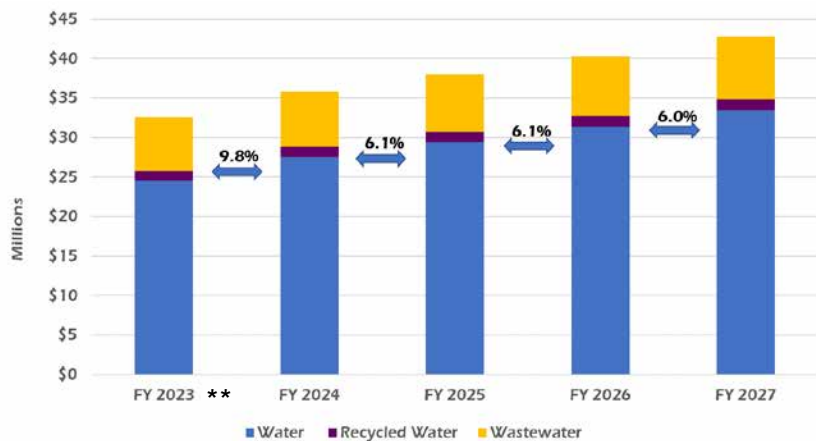
- [Debt Management Policy – Defines the District’s debt management \(available on website\)](#)
- [Investment Policy – Establishes permitted investments in compliance with State Code \(Article 18 of the District’s Administrative Code\)](#)
- [Fund Balance Policies – Sets target balances for reserves and working capital \(Article 6 of the District’s Administrative Code\)](#)
- [Capitalization Policy – Establishes the parameters for defining an operating or capital expenditure](#)

These policies can be found on the District’s website as standalone documents or as part of the District’s Administrative Code. Appendix C also provides a copy of the District’s Capitalization Policy and other policies for ease of reference.

## Financial Summaries

The rate and charge increases included in the 2024 projections are in line with the increases approved by the Board in December 2022 as part of the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report) and Proposition 218 process. The Report lays out the District’s Comprehensive Financial Plan (the Financial Plan) for Calendar Years 2024, 2025, 2026, 2027 and 2028. Because the rate and charge increases are effective for a calendar year, the impact of a rate increase spans two fiscal years. The projections take this into account and show revenues on a fiscal year basis with the underlying rate increases. While the Financial Plan provides guidance on the maximum permitted annual rate and charge increases, the Board adopts the rates and charges in December of each year based upon updated financial information. Since no decision on the Calendar Year 2024 rate and charge increases has been made at this time, the water, recycled water and wastewater rate increases for the Budget are projected to be 6.5%, 2.5%, and 5%, respectively. Chart 1 shows the projected increase in revenues due to the rate adjustments. The large increase in Fiscal Year 2022-2023 is driven by a return to average water sales levels. **Appendix A provides the detailed revenue, expense and fund balance projections for Water, Recycled Water and Wastewater operations.**

Chart #1 - Projected Total Rate Revenues \*



\* Total Rate Revenue increases shown

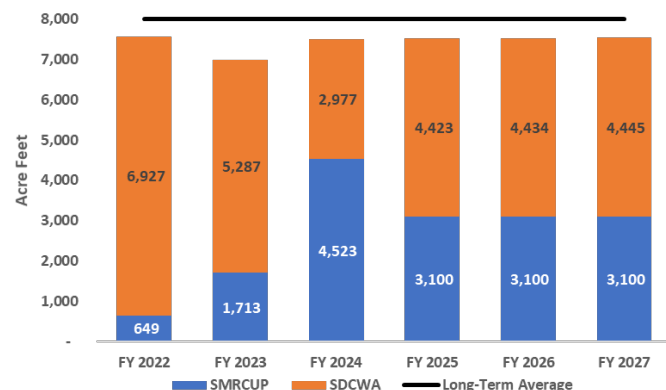
\*\* Projected revenues based upon current District sales projections

### Looking Forward

This year the pivotal decision on detachment should be clear. The outcomes: Remain a SDCWA customer and face escalating water costs as water demand from core customers like the City of San Diego reduce water demands; or become an EMWD customer and secure meaningful rate relief for District rate payers.

This section provides an overview of the District’s overall projected financial operations. Table 1 provides a detailed summary of the District’s revenues and expenditures and the projected year-end fund balances. Revenues from the District’s water, recycled water and wastewater services are projected to increase over the projection period driven by rate and charge increases. Non-operating revenues are projected to rise at rates of inflation in line with levels assumed in the Report. Wholesale water rates are projected to increase annually in line with past averages driven by State and regional water supply reliability related costs. As shown in Chart 2, in Fiscal Year 2023-24, the District is projecting 4,523 AF delivered from the SMRCUP. The SMRCUP deliveries are expected

Chart #2 - Wholesale and Local Supply Mix



to return to the projected average of 3,100 AF for the remainder of the projection period as shown in Chart 2. The 18.9% decrease in Fiscal Year 2023-24 purchased water costs is driven by increased SMR water deliveries and less water purchased from SDCWA. Fluctuations in SMR water deliveries change the District’s non-labor costs significantly, this is the result of utility (power) and chemical operating cost of the SMGTP. Utility and chemical costs are directly related to and go up and down with the amount of SMR water treated by the plant.

**Table #1 - Fallbrook Public Utility District’s Financial Projections**

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Revenues</b>					
<b>Revenue from Rates</b>					
Water	\$ 24,579,212	\$ 27,603,306	\$ 29,453,472	\$ 31,411,174	\$ 33,492,715
Recycled Water	1,267,442	1,299,770	1,331,501	1,364,396	1,398,435
Wastewater	6,820,069	6,971,339	7,285,954	7,604,301	7,926,443
<b>Subtotal Revenue from Rates</b>	<b>\$ 32,666,723</b>	<b>\$ 35,874,415</b>	<b>\$ 38,070,927</b>	<b>\$ 40,379,871</b>	<b>\$ 42,817,593</b>
<b>Other Operating Revenue</b>					
<b>Pass-through Charges</b>					
MWD RTS Charge*	\$ 130,039	\$ -	\$ -	\$ -	\$ -
SDCWA IAC Charge	603,768	608,142	635,035	679,487	727,051
Pumping Charge	100,000	100,000	100,000	100,000	100,000
Backflow Charge	200,000	200,000	200,000	200,000	200,000
Sundry**	101,000	75,000	75,000	75,000	75,000
<b>Other Revenue Subtotal</b>	<b>\$ 1,134,807</b>	<b>\$ 983,142</b>	<b>\$ 1,010,035</b>	<b>\$ 1,054,487</b>	<b>\$ 1,102,051</b>
<b>Non-Operating Revenue</b>					
Water Availability Charge***	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax	2,417,248	2,700,000	2,710,462	2,731,833	2,753,692
Investment Earnings	122,819	400,923	306,318	289,233	308,975
Water Capital Improvement Charge	1,581,828	1,740,011	1,879,211	2,010,756	2,151,509
Pumping Capital Improvement Charge*	6,760	-	-	-	-
Other Revenue	306,261	312,386	318,634	325,007	331,507
Gain or Loss on Sale of Assets/	178,749	-	-	-	-
SDCWA Refund	-	-	-	-	-
Grant Funds	569,957	-	-	-	-
Water Capacity Fees	105,000	85,000	85,128	85,255	85,383
Wastewater Capital Improvement Charge	1,244,630	1,328,198	1,394,608	1,450,392	1,508,408
Wastewater Capacity fees	70,000	45,000	45,068	45,135	45,203
Federal Interest Rate Subsidy	84,516	70,261	55,178	39,233	22,388
<b>Subtotal Non-Operating Revenue</b>	<b>\$ 6,887,767</b>	<b>\$ 6,881,779</b>	<b>\$ 6,994,606</b>	<b>\$ 7,176,844</b>	<b>\$ 7,407,064</b>
<b>Total Revenues</b>	<b>\$ 40,689,298</b>	<b>\$ 43,739,336</b>	<b>\$ 46,075,567</b>	<b>\$ 48,611,203</b>	<b>\$ 51,326,709</b>

\* Starting in FY 2023-2024, the RTS is not treated as a pass-through and the Pumping Capital Improvement Charge is discontinued.

\*\* Sundry revenue is comprised of miscellaneous revenues and includes revenues from sale of assets taken out of service, which includes sale of equipment and vehicles.

\*\*\* Fee is charge on a per acre or parcel basis in service area, which is not expected to change.

Table #1 - Fallbrook Public Utility District's Financial Projections, cont.

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Total Revenues</b>	\$ 40,689,298	\$ 43,739,336	\$ 46,075,567	\$ 48,611,203	\$ 51,326,709
<b>Operating Expenses</b>					
<b>Water Supply Costs</b>					
SDCWA Purchased Water Costs*	\$ 11,167,836	\$ 8,338,813	\$ 11,291,860	\$ 11,942,963	\$ 12,587,418
SMRCUP Supply Costs	612,878	1,219,265	871,128	905,973	942,212
<b>Subtotal Water Supply Costs</b>	<b>\$ 11,780,714</b>	<b>\$ 9,558,078</b>	<b>\$ 12,162,988</b>	<b>\$ 12,848,937</b>	<b>\$ 13,529,630</b>
Labor Costs	3,763,190	3,865,068	4,111,115	4,313,962	4,526,844
Fringe Benefits	2,242,015	2,497,331	2,634,684	2,766,418	2,904,739
Services, Materials & Supplies	3,121,475	3,997,356	4,178,547	4,348,440	4,525,266
Administrative Expenses	7,268,608	7,934,072	8,291,105	8,622,750	8,967,660
Community Benefit Program	35,452	546,000	546,000	546,000	546,000
<b>Total Operating Expenses</b>	<b>\$ 28,211,454</b>	<b>\$ 28,397,906</b>	<b>\$ 31,924,439</b>	<b>\$ 33,446,507</b>	<b>\$ 35,000,139</b>
<b>Net Operating Revenues</b>	<b>\$ 12,477,844</b>	<b>\$ 15,341,430</b>	<b>\$ 14,151,128</b>	<b>\$ 15,164,696</b>	<b>\$ 16,326,569</b>
<b>Total Debt Service</b>	<b>\$ 3,822,936</b>	<b>\$ 5,463,081</b>	<b>\$ 5,465,583</b>	<b>\$ 5,461,244</b>	<b>\$ 5,461,925</b>
<b>Total Capital Expenditures</b>	<b>\$ 6,042,979</b>	<b>\$ 10,229,500</b>	<b>\$ 9,216,162</b>	<b>\$ 8,155,115</b>	<b>\$ 8,069,006</b>
<b>Total Expenditures</b>	<b>\$ 38,077,369</b>	<b>\$ 44,090,487</b>	<b>\$ 46,606,184</b>	<b>\$ 47,062,866</b>	<b>\$ 48,531,070</b>
<b>Change in Net Position</b>	<b>\$ 2,611,929</b>	<b>\$ (351,151)</b>	<b>\$ (530,616)</b>	<b>\$ 1,548,337</b>	<b>\$ 2,795,639</b>
Beginning Balances	\$ 20,469,853	\$ 23,081,782	\$ 22,730,631	\$ 22,200,015	\$ 23,748,352
Ending Balance	\$ 23,081,782	\$ 22,730,631	\$ 22,200,015	\$ 23,748,352	\$ 26,543,990

\*Detail on purchased water costs provided on page 50. Purchased water costs include MWD RTS and Capacity Charges, SDCWA IAC Charge and Pumping Costs.

Debt service and capital expenditures are deducted from the District's Net Operating Revenues to determine the change in Net Position for the fiscal year. The Fiscal Year 2023-24 Change in Net Position shows the District is withdrawing from reserves in that particular fiscal year. In Fiscal Year 2023-24, the District's projected withdrawal of \$351,151 from reserves is being driven by an increase in the PAYGO CIP expenditures.

The Beginning Balance shows the funds available at the start of the year and the Ending Balance shows the funds that are available after the year is over. The chart below shows the Target Reserve levels compared to the projected fund balances. **Appendix A provides the detailed revenue, expense and fund balance projections for Water, Recycled Water and Wastewater operations.**

Chart #3 - District Fund Balances and Target Level



## Water Services Sources of Funds

The primary source of funds for water operations is water sales revenues. Water sales levels determine the District's water sales revenues. Because Fallbrook is located in a semi-arid region of the United States and is subject to significant fluctuations in the level of water demands, each year careful attention is paid to the projected level of water sales. Heading into the Fiscal Year 2023-24 budget cycle, California's water reservoir levels have recovered due to the record setting wet weather of the winter. Overall California water reservoirs are above their historical averages (see Figure 1). However, as a result of the recent drought and changes in water use behavior, water sales are not projected to return to the District's long-term average sales level at 8,000 AF. The District is conservatively projecting sales at 7,500 AF, as shown in the table below.

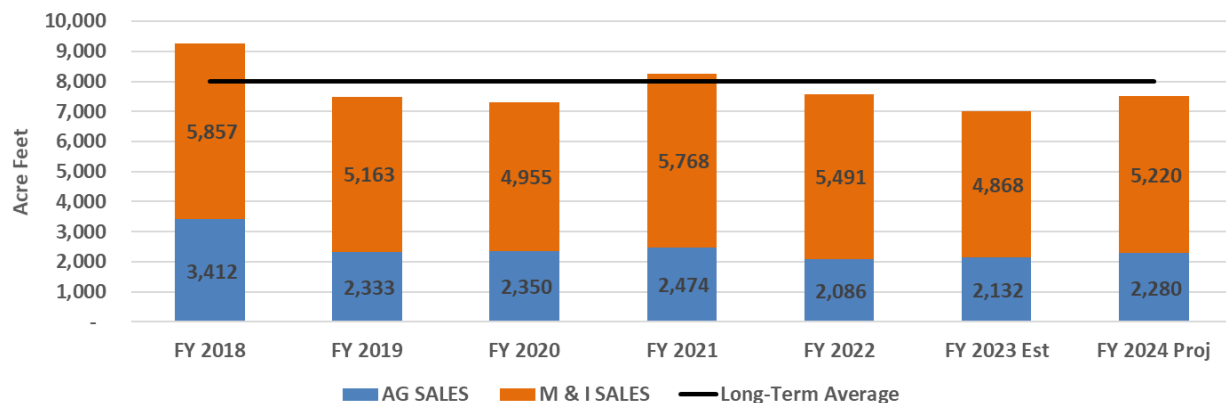
The District's sales over the last five years including the estimate for the current fiscal year and the projected water sales for the budget period are shown in Table 1. The table shows water production and total sales; production includes system losses, and water sales are units sold to customers. The sales are also split between Municipal & Industrial (M&I) customers and Agriculture (AG) customers. AG customers are eligible for a reduced water rate in exchange for a lower level of water supply reliability or put simply, agricultural customers have to cut back more than other customers when water restrictions are in place.

**Table #1 - Five-Year Production and Sales History**

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 Estimated	FY 2023-24 Projected
<b>Production</b>	10,090	8,043	7,986	8,918	8,244	7,568	8,108
<b>Total Sales</b> (adjusted for system losses)	<b>9,269</b>	<b>7,496</b>	<b>7,305</b>	<b>8,242</b>	<b>7,576</b>	<b>7,000</b>	<b>7,500</b>
<b>AG Sales</b>	3,412	2,333	2,350	2,474	2,086	2,132	2,280
<b>M&amp;I Sales</b>	5,625	5,163	4,955	5,768	5,491	4,868	5,220

As the table and chart shows, recent years have been impacted by restrictions in use levels, wet weather and changes in customer use patterns all of which have resulted in reduced water demands. While the District's Fiscal Years 2018-19 and 2019-20 water demands were low, Fiscal Year 2022-23 is expected to set a new all-time low for District water sales. The persistent trend in lower water demands shown in the table is not just impacting the District. Many regional water agencies are experiencing the same trend in water sales. The projected Fiscal Year 2023-24 water sales are 6% under the average to reflect the trend in water sales and recent water sales levels.

**Chart #1 - Water Sales Trends**



The Water Services operating and non-operating revenues are shown in Table 2. Water sales revenues are those collected by the District for water usage during a billing cycle. Each of the District’s customers are charged a fee based upon their user class and for water purchased in that billing period. The monthly water fixed service charge revenues are an important revenue stream for the District because they are not subject to volatility in water demands. The District passes through the SDCWA Infrastructure Access Charge (IAC). The revenue projection for Fiscal Year 2023-24 provided here include rate and charge increases in line with what was approved by the Board as part of the 2022 Water, Recycled Water and Wastewater Rate Study Report (the Report). The primary drivers of the 6.3% revenue increase budget to budget are increases in non-sales revenues. The Water Capital Improvement Charge increase is being driven by inflation adjustments to that charge. The increase in investment earnings is due to higher interest rates and the increase in property tax revenues is due to escalating real estate values. Fiscal Year 2022-23 revenues are projected to be slightly below budgeted levels.

Figure #1 - State Reservoir Conditions

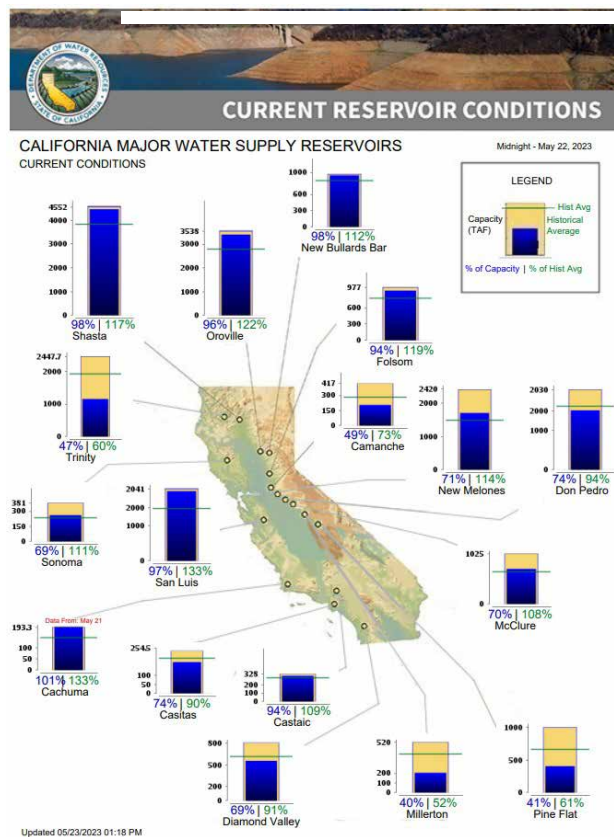


Table #2 - Water Services Sources of Revenue

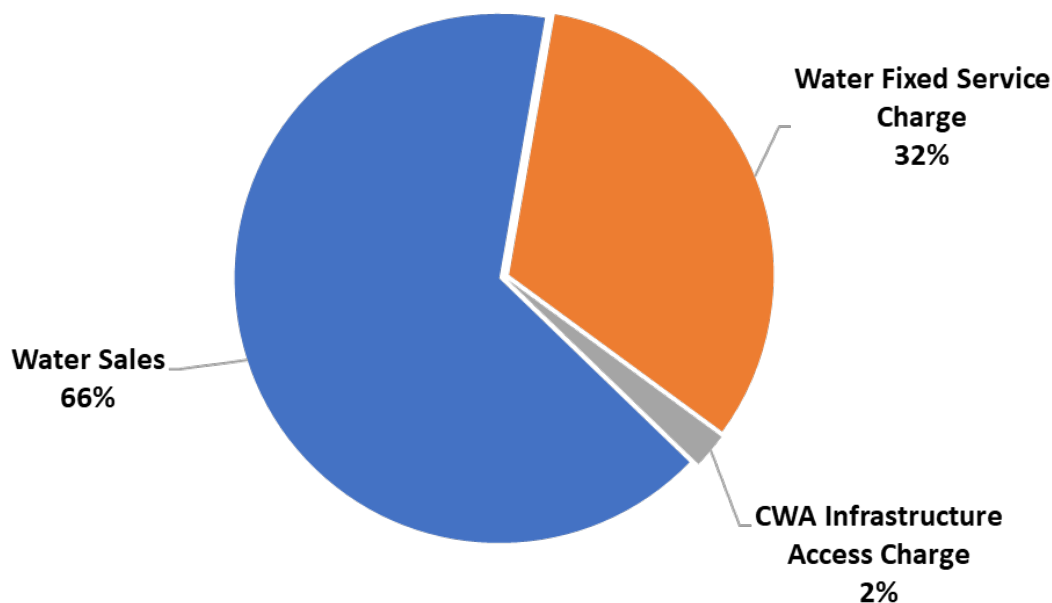
Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
<b>Operating Revenues:</b>					
Water Sales	\$ 16,705,841	\$ 18,237,586	\$ 16,398,736	\$ 18,689,594	2.5%
Water Fixed Service Charge	7,664,909	8,334,524	8,480,477	9,213,712	10.5%
MWD Readiness-to-Service Charge*	260,078	264,774	130,039	-	-100.0%
SDCWA Infrastructure Access Charge	553,505	603,192	603,768	608,142	0.8%
<b>Total Operating Revenue</b>	<b>\$ 25,184,333</b>	<b>\$ 27,440,076</b>	<b>\$ 25,613,019</b>	<b>\$ 28,511,448</b>	<b>3.9%</b>
<b>Non-Operating Revenues:</b>					
Water Capital Improvement Charge	\$ 1,457,378	\$ 1,494,870	\$ 1,581,828	\$ 1,740,011	16.4%
Property Tax **	1,245,229	514,754	711,681	854,000	65.9%
Water Availability Charge	202,234	208,842	200,000	200,000	-4.2%
Water Capacity Charges	97,257	112,283	105,000	85,000	-24.3%
Investment Earnings	151,296	125,392	108,413	381,762	204.5%
Pumping Capital Improvement Charge*	13,519	32,756	6,760	-	-100.0%
Gain/Loss on sale of assets/SDCWA Refund	875,941	-	178,749	-	N/A
MWD Local Resource Program	197,884	-	-	-	N/A
COVID Relief Grant	151,343	-	-	-	N/A
Other Revenue	61,450	53,009	84,000	60,000	13.2%
Cell Lease Revenue	300,256	261,189	306,261	312,386	19.6%
<b>Total Non-Operating Revenue</b>	<b>\$ 4,753,787</b>	<b>\$ 2,803,095</b>	<b>\$ 3,282,691</b>	<b>\$ 3,633,159</b>	<b>29.6%</b>
<b>Total Revenues</b>	<b>\$ 29,938,120</b>	<b>\$ 30,243,171</b>	<b>\$ 28,895,711</b>	<b>\$ 32,144,607</b>	<b>6.3%</b>

\* Starting in FY 2023-2024, the RTS is not treated as a pass-through and the Pumping Capital Improvement Charge is discontinued.

\*\*Property tax revenue reduced by \$546,000 in Fiscal Years 2022-23 and 2023-24 for Community Benefit Program.

As Chart 2 shows, water sales revenues represent 66% of the District's water operating revenues with the remaining 34% of revenues coming from other sources that are independent from water sales. This variable/fixed mix of revenue means that operating revenues are subject to volatility due to water sales levels. Managing this volatility requires good fiscal planning and the use of reserves to make up any unanticipated shortfalls. The primary sources of non-operating revenues are the water Capital Improvement Charge, which is a fixed charge restricted to fund only capital projects, and property tax and Water Availability Charge revenues. Other revenues include investment earnings and other income.

**Chart #2 - Fiscal Year 2023-24 Water Services Operating Revenues**



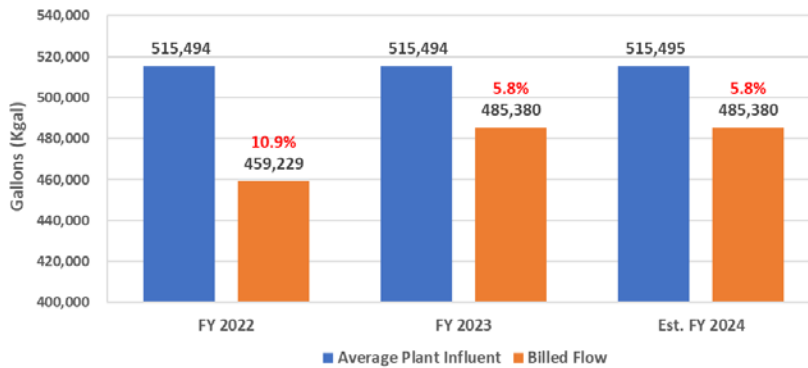
## Wastewater Services Sources of Funds

Wastewater revenue is relatively stable since it is billed based upon indoor water used. To estimate the amount of water used indoors that is returned to the sewer, a return to sewer factor is applied to each user class. For residential users, the return to sewer factor is applied to their 3-month winter average. The winter months, which are typically wet, allow indoor use to be estimated since outdoor/landscape use is at a minimum. However, even the winter average use is adjusted to reflect some level of residential outdoor/landscape, which is not returned to the sewer. This methodology limits the impact weather has on billable sewer flows.

As part of the Report, the Board modified the wastewater bill methodology slightly to increase the fixed component of the wastewater bill. While there is still a use based variable component in the bill, the District is increasing the fixed component of the bill from approximately 35% of the average bill to 70% of the average bill over the next 5-years. This better reflects the cost of providing wastewater services which does not vary much from year to year. The revenue projection for Fiscal Year 2023-24 provided here includes rate and charge increases in line with what was approved by the Board and billable residential wastewater flows using the adopted phase-in of the new billing methodology.

Historic averages provide a good basis from which flows and revenue projections can be evaluated. The chart on the following page shows the average annual flows at the plant (Plant Influent) and the billable wastewater flows projected for this budget period. The variance between Average Plant Influent and Billable Flows is shown in red. The projection for Fiscal Year 2023-24 shows billable flows remain flat from the Fiscal Year 2022-23 flow levels. Prior to adopting rates and charges in December 2023, the Board will review current financial information and adopt rate and charge increases for Calendar Year 2024.

Chart #3 - Wastewater Services Annual Flows

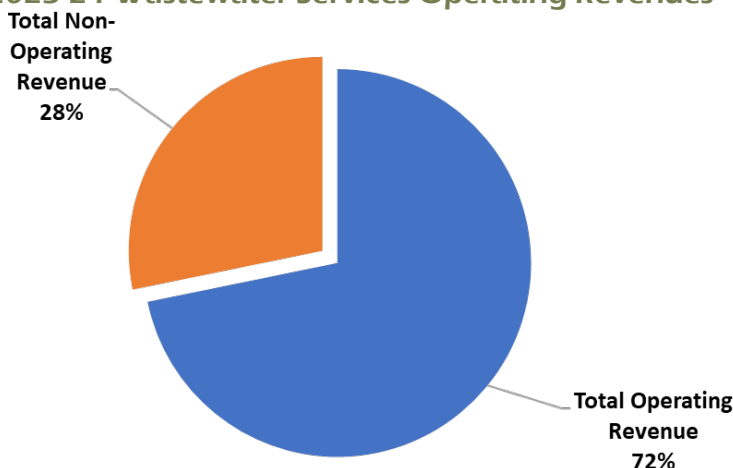


Wastewater Services operating and non-operating revenues are shown in Table 3 and Chart 4. The primary source of operating revenue for Wastewater Services is the Wastewater Service Charge. The primary non-operating revenues are the Wastewater Capital Improvement charge, which, like the Water Capital Improvement Charge, is restricted to fund only capital projects. Other non-operating revenues include property tax revenues.

Table #3 - Wastewater Services Sources of Revenue

Description	FY 2021-22 Actual	FY 2022-23		FY 2023-24 Budget	Budget to Budget Change (%)
		Amended Budget	Projected		
<b>Operating Revenue</b>					
Wastewater Service Charges	\$ 6,323,887	\$ 6,829,867	\$ 6,820,069	\$ 6,971,339	2.1%
Sundry Other Revenue	12,966	1,000	12,000	10,000	900.0%
<b>Total Operating Revenue</b>	<b>\$ 6,336,853</b>	<b>\$ 6,830,867</b>	<b>\$ 6,832,069</b>	<b>\$ 6,981,339</b>	<b>2.2%</b>
<b>Non-Operating Revenue</b>					
Wastewater Capital Improvement Charge	\$ 1,179,305	\$ 1,185,754	\$ 1,244,630	\$ 1,328,198	12.0%
Property Tax	1,094,591	1,080,597	1,105,537	1,235,000	14.3%
Wastewater Capacity Charges	95,944	41,178	70,000	45,000	9.3%
Investment Earnings	82,914	12,281	14,834	15,131	23.2%
Federal Interest Rate Subsidy	99,240	84,516	84,516	70,261	-16.9%
Grant Funds	33,419	-	-	-	N/A
<b>Total Non-Operating Revenue</b>	<b>\$ 2,585,413</b>	<b>\$ 2,404,326</b>	<b>\$ 2,519,518</b>	<b>\$ 2,693,590</b>	<b>12.0%</b>
<b>Total Revenues</b>	<b>\$ 8,922,266</b>	<b>\$ 9,235,193</b>	<b>\$ 9,351,587</b>	<b>\$ 9,674,929</b>	<b>4.8%</b>

Chart #4 - Fiscal Year 2023-24 Wastewater Services Operating Revenues





## Recycled Water Services Sources of Funds

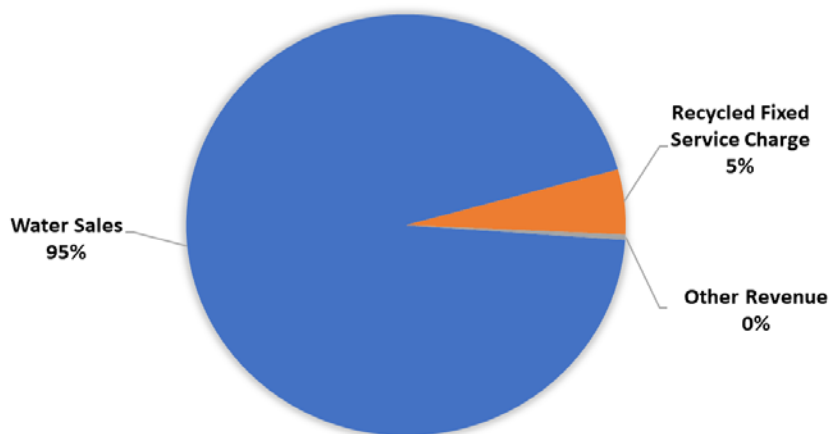
While recycled water sales are subject to weather driven water demands, these customers are not subject to use restrictions due to drought. It is for this reason that many have chosen to be a recycled water customer. While the District is expanding the distribution system, the customer base is relatively small and demands have remained static even with additional customers. Therefore, the historic average adjusted for a small level of growth provide a good basis from which revenues can be budgeted from. The projected recycled water sales for Fiscal Year 2023-24 is 610 acre-feet, which is the same as the prior year’s budget. The revenue projection for Fiscal Year 2023-24 provided here include rate and charge increases in line with what was approved by the Board. The Board will review and adopt Calendar Year 2024 rates in December 2023.

Recycled Water Services operating and non-operating revenues are shown in Table 4 and Chart 5. The reduction in the Recycled Fixed Service Charge is due to a true up of the meter count. The primary source of operating revenue for Recycled Water Services is water sales revenue. Recycled Water Services customers pay a per unit rate for recycled water. The District is actively exploring opportunities to more fully utilize the recycled water available. This includes expanding retail sales and utilizing the recycled water as part of an indirect potable water supply. Other operating revenues include the Fixed Recycled Water Charge. Investment earnings and property tax make up the only non-operating revenues.

**Table #4 - Recycled Water Services Sources of Revenue**

	FY 2021-22 Actual	FY 2022-23 Amended Budget    Projected		FY 2023-24 Budget	Budget to Budget Increase (%)
<b>Operating Revenues</b>					
Recycled Water Sales	\$ 1,169,287	\$ 1,221,943	\$ 1,205,261	\$ 1,235,911	1.1%
Recycled Fixed Service Charge	58,063	72,861	62,181	63,859	-12.4%
Other Revenue	5,000	5,000	5,000	5,000	0.0%
<b>Total Operating Revenue</b>	<b>\$ 1,232,350</b>	<b>\$ 1,299,803</b>	<b>\$ 1,272,442</b>	<b>\$ 1,304,770</b>	<b>0.4%</b>
<b>Non-Operating Revenues</b>					
Property Tax	\$ 57,609	\$ 54,030	\$ 54,030	\$ 65,000	20.3%
Investment Earnings	2,369	3,184	(428)	4,030	26.6%
Grant Revenue	213,368	-	569,957	-	N/A
<b>Total Non-Operating Revenue</b>	<b>\$ 273,346</b>	<b>\$ 57,214</b>	<b>\$ 623,558</b>	<b>\$ 69,030</b>	<b>20.7%</b>
<b>Total Revenues</b>	<b>\$ 1,505,696</b>	<b>\$ 1,357,018</b>	<b>\$ 1,896,000</b>	<b>\$ 1,373,800</b>	<b>1.2%</b>

**Chart #5 - Fiscal Year 2023-24 Recycled Water Services Operating Revenues**



### Community Benefit Program Sources of Funds

The Community Benefit Program (CBP) maintains public spaces in the District’s service area. The primary source of revenue for the Community Benefit Program is a portion of the District’s water property tax revenues. Each year the Board will determine the amount that will be transferred into the CBP fund, and a Board appointed committee manages these funds.

**Table #5 - Community Benefit Program Sources of Revenue**

	FY 2021-22 Actual	FY 2022-23		FY 2023-24 Budget	Budget to Budget Increase (%)
		Amended Budget	Projected		
<b>Non-Operating Revenues</b>					
Property Tax	\$ -	\$ 546,000	\$ 546,000	\$ 546,000	0.0%
<b>Total Non-Operating Revenue</b>	\$ -	\$ 546,000	\$ 546,000	\$ 546,000	0.0%
<b>Total Revenues</b>	\$ -	\$ 546,000	\$ 546,000	\$ 546,000	0.0%



## Operating Budget

### Overview

The District, while relatively small, provides a wide range of services to residents. This section of the budget document provides a detailed description of the District’s budgeted use of funds (operating expenses) for each division/function. To make the budget easy to follow, the District’s Operating Budget is broken out into its main cost centers. The cost center breakdown is: Administrative Services, Water Services, Wastewater Services, Recycled Water Services (collectively the Services). In addition, the Community Benefit Program (CBP), that maintains public spaces in the District’s service area, has been added as a stand-alone program to maximize financial transparency.

This section also provides a detailed breakdown of the District’s employer-paid employee benefits and debt-service costs. Each of the District’s Services are allocated a portion of the District’s benefits costs based upon the Services’ share of total labor costs. The allocation of the benefits’ costs is detailed in the benefit cost section and each of the Districts Services’ operating budgets. It is denoted as Allocated Benefits Expenditures on each Services’ Total Operating Budget Summary Table. The Adopted FY 2023-24 Budget includes a 5.7% increase in the total Operating Budget.

In addition to a detailed budget to fund day-to-day operations, this section also provides a description of the divisions within each of the Services. Each division performs a specific program or function. The Services budget’s are developed to support the long and short-term strategic goals of the District. **Appendix A provides the detailed revenue, expense and fund balance projections for District operations.**

**Table #1 - Overview of Total Services’ Operating Budget**

Description	FY 2021-22	FY 2022-23			FY 2023-24	Budget to Budget Change (%)
	Actual	Original Budget	Amended Budget	Projected	Budget	
Water Supply Costs	\$ 13,245,830	\$ 13,617,771	\$ 11,780,714	\$ 11,780,714	\$ 9,558,078	-18.9%
Debt Service	3,621,118	3,730,508	3,822,936	3,822,936	5,463,081	42.9%
Total Labor *	5,847,082	6,064,174	6,400,447	6,400,447	6,813,579	6.5%
Total Non-Labor**	5,725,303	6,309,478	5,973,205	5,973,205	7,625,467	27.7%
<b>Operating Total</b>	<b>\$ 28,439,333</b>	<b>\$ 29,721,931</b>	<b>\$27,977,302</b>	<b>\$27,977,302</b>	<b>\$ 29,460,206</b>	<b>5.3%</b>
Benefits Expenses	3,940,375	4,057,087	4,057,087	4,057,087	4,400,781	8.5%
<b>Total Services Operating Budget</b>	<b>\$ 32,379,708</b>	<b>\$ 33,779,018</b>	<b>\$32,034,389</b>	<b>\$ 32,034,389</b>	<b>\$ 33,860,987</b>	<b>5.7%</b>

\* Total Labor does not include District’s Benefits

\*\* Total Non-Labor includes \$544,536 for Community Benefit Program

### Administrative Services

Administrative Services includes a wide range of functions that support the District’s core services: water, wastewater and recycled water. The Organizational Chart on page 22 shows the broad scope of functions captured in the Administrative Services budget. Administrative Service functions are listed on the following page:

- Manages District operations and capital projects
- Implements and maintains District policies and procedures
- Directs and maintains District documents and archives
- Supports activities of the Board of Directors
- Coordinates District legal activities
- Oversees the District’s financial management including debt management, budget, annual audit, treasury and other required financial reporting
- Maintains customer accounts and billing for water, wastewater and recycled water
- Oversees permit process, right of way and District Geographic Information System (GIS) data
- Manages District contracts, and service and construction services procurement
- Administers the District’s water conservation and agricultural water programs
- Creates and administers public outreach activities
- Provides human resources support to the District
- Coordinates and monitors District safety and risk management programs

Administrative Services is broken down into divisions that support a specific Administrative Service’s function. Administrative Services historic and proposed staffing levels are shown in Table 2.

**Table #2 - Administrative Services Approved Positions**

<b>Position</b>	<b>Actual FTE* FY 2021-22</b>	<b>Actual FTE* FY 2022-23</b>	<b>Proposed FTE* FY 2023-24</b>
General Manager	1.0	1.0	1.0
Executive Assistant/ Board Secretary	1.0	1.0	1.0
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Human Resources Manager	1.0	1.0	1.0
Senior Accountant	1.0	-	-
Supervising Accountant	-	1.0	1.0
Accounting Technician I & II	2.0	2.0	2.0
Management Analyst	1.0	1.0	1.0
Safety & Risk Officer	1.0	1.0	1.0
Information Systems Tech	1.0	1.0	1.0
Senior Engineer	-	-	-
Engineering Manager	1.0	1.0	1.0
Administrative Office Specialist	1.0	-	-
Human Resources Technician	-	1.0	1.0
Engineering Technician I, II & III	3.0	3.0	3.0
GIS Coordinator	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Public Affairs Specialist	1.0	1.0	-
Public Information Officer	-	-	1.0
Customer Service Specialist	2.0	1.0	1.0
Customer Service Representative I & II	1.0	2.0	2.0
Purchasing Warehouse Supervisor **	1.0	0.95	0.99
Warehouse Purchasing Specialist	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
<b>TOTAL FTE</b>	<b>24.0</b>	<b>23.95</b>	<b>23.99</b>

\* FTE - Full-Time Equivalents

\*\* Reduced Purchasing Warehouse Supervisor FTE due to the allocation of time to the Community Benefit Program for FY 23 and FY 24.

The divisions and their activities are summarized below.

**The Office of the General Manager**

- Oversee all District operations
- Plan, organize and conduct Board of Directors activities and meetings in addition to supporting Board policy development and execution
- Manage legal activities including public hearing and other required notices
- Serve as public liaison to the Community and other entities (i.e. San Diego County Board member) and manages public relations
- Manages District documents, contracts, and Board of Director meeting agendas and minutes

**Finance and Customer Services**

- Manage and maintain the District's financial and customer information
- Develop and monitor the District's annual budget
- Manage the annual financial audit and develop financial reports
- Maintain and execute the District's financial policies and procedures
- Manage the District's payroll process, and treasury and debt-management functions
- Establish and monitors the District's internal controls
- Maintain customer service counter and phone line for questions and payment
- Generate and monitor customer bills

**Warehouse and Purchasing**

- Issue requests for proposals, and solicitations for equipment, supplies and materials
- Maintain and manage District equipment, supplies and materials inventory
- Manage purchasing contracts for materials, supplies, equipment and services
- Maintain and manage the District's Fleet Services vehicles

**Human Resources**

- Establish and maintain effective employee relations
- Implement and administer District personnel policies, practices and procedures, and various programs including the performance appraisal system
- Manage recruitment and selection activities, employee benefits and recognition, and training and technical certification
- Support Memorandum of Understanding (MOU) negotiations

**Information Management**

- Maintain, troubleshoot and upgrade the District's network servers, workstations, copiers and printers, phone system and wireless services
- Create and maintains the District's information system's policies and procedures
- Manage the security of the District's information management systems

**Engineering Services**

- Oversee implementation of the District’s Capital Improvement Program
- Maintain records of District easements, as-built facility drawings and facility location drawings
- Design, develop and maintain the District GIS program
- Provide customer service for water and sewer service
- Process water and sewer requests for new service
- Support outside developer and County projects
- Participation in County subdivision map process for new development
- Assess water and sewer availability and develop requirements
- Review and plan check developer water and sewer improvement plans
- Inspect and document developer installation of District facilities

**Vehicle Services/Shop**

- Service and repair small and large equipment and vehicles

**Safety and Risk**

- Manage and administer the District’s safety and risk program
- Investigate claims against the District and conduct accident/incident investigations
- Maintain and update the District’s Emergency Response Plan and conduct vulnerability assessments

Overall the Administrative Services budget is increasing in line with inflationary pressures. Labor is increasing in line with the cost of living adjustment set forth in the District’s most recent Memorandums of Understanding negotiated. Non-Labor is being driven by a large increase in the District’s insurance costs. The insurance increase is being driven by a combination of industry wide fee hikes and the increased frequency of claims paid.

**Table #3 - Administrative Services Total Operating Budget Summary**

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor*	\$ 2,473,920	\$ 2,713,010	\$ 2,630,296	\$ 2,947,047	8.6%
Total Non-Labor	2,770,747	2,800,141	2,823,240	3,083,575	10.1%
<b>Services Operating Total</b>	<b>\$ 5,244,667</b>	<b>\$ 5,513,151</b>	<b>\$ 5,453,536</b>	<b>\$ 6,030,622</b>	<b>9.4%</b>
Allocated Benefits Expenditures**	1,667,186	1,815,072	1,815,072	1,903,450	4.9%
<b>Total Services Budget</b>	<b>\$ 6,911,853</b>	<b>\$ 7,328,223</b>	<b>\$ 7,268,608</b>	<b>\$ 7,934,072</b>	<b>8.3%</b>

\* Total Labor does not include District’s Benefits

\*\* Includes transfer to Pension/OPEB Trusts

Table #4 - Administrative Services, Division Budget to Budget Comparison

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
<b>Office of the General Manager</b>					
<b>Labor:</b>					
Salaries	\$ 464,134	\$ 471,492	\$ 462,735	\$ 506,019	7.3%
<b>Non-Labor:</b>					
Director Expenses	37,965	40,000	40,000	40,000	0.0%
General & Administrative	12,587	14,500	14,500	14,500	0.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	96,312	84,800	85,022	83,800	-1.2%
Professional Services	583,898	410,000	416,031	410,000	0.0%
Memberships/Training/Permits	75,996	88,000	88,115	91,000	3.4%
Santa Margarita Watermaster	124,730	135,073	125,188	131,447	-2.7%
<b>Total Non-Labor</b>	<b>\$ 931,488</b>	<b>\$ 772,373</b>	<b>\$ 768,856</b>	<b>\$ 770,747</b>	<b>-0.2%</b>
<b>Division Operating Total</b>	<b>\$ 1,395,622</b>	<b>\$ 1,243,865</b>	<b>\$ 1,231,591</b>	<b>\$ 1,276,766</b>	<b>2.6%</b>

<b>Finance &amp; Customer Service</b>					
<b>Labor:</b>					
Salaries	\$ 752,123	\$ 856,036	\$ 824,929	\$ 920,737	7.6%
<b>Non-Labor:</b>					
Contractor Services	33,939	24,000	28,703	24,000	0.0%
Equipment (Non Capital)	1,287	4,500	1,500	4,500	0.0%
Materials/Services/Supplies	149,692	145,200	141,993	147,700	1.7%
Professional Services	184,165	181,500	176,940	123,500	-32.0%
Memberships/Training/Permits	1,830	2,700	2,700	2,700	0.0%
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 370,913</b>	<b>\$ 357,900</b>	<b>\$ 351,836</b>	<b>\$ 302,400</b>	<b>-15.5%</b>
<b>Division Operating Total</b>	<b>\$ 1,123,035</b>	<b>\$ 1,213,936</b>	<b>\$ 1,176,765</b>	<b>\$ 1,223,137</b>	<b>0.8%</b>

<b>Warehouse &amp; Purchasing</b>					
<b>Labor:</b>					
Salaries	\$ 177,031	\$ 174,529	\$ 192,708	\$ 213,567	22.4%
<b>Non-Labor:</b>					
Contractor Services	171,762	135,000	135,000	150,000	11.1%
Equipment (Non Capital)	189	500	1,000	1,000	100.0%
Materials/Services/Supplies	121,728	119,500	148,500	124,500	4.2%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	709	1,000	1,000	1,000	0.0%
Utilities **	41,925	45,000	52,000	45,000	0.0%
<b>Total Non-Labor</b>	<b>\$ 336,313</b>	<b>\$ 301,000</b>	<b>\$ 337,500</b>	<b>\$ 321,500</b>	<b>6.8%</b>
<b>Division Operating Total</b>	<b>\$ 513,344</b>	<b>\$ 475,529</b>	<b>\$ 530,208</b>	<b>\$ 535,067</b>	<b>12.5%</b>

\*\*Utility cost increase driven by actual cost levels.

Table #4 - Administrative Services, Division Budget to Budget Comparison, cont.

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
<b>Human Resources</b>					
<b>Labor:</b>					
Salaries	\$ 233,498	\$ 249,371	\$ 247,964	\$ 270,962	8.7%
<b>Non-Labor:</b>					
Contractor Services	55,302	20,000	13,000	13,000	-35.0%
Equipment (Non Capital)	-	-	72	-	NA
Materials/Services/Supplies	17,368	27,400	15,500	18,300	-33.2%
Professional Services	6,829	10,000	10,000	10,000	0.0%
Memberships/Training/Permits	67,356	98,050	72,583	102,450	4.5%
Education Funding	9,092	7,000	7,000	5,000	-28.6%
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 155,946</b>	<b>\$ 162,450</b>	<b>\$ 118,155</b>	<b>\$ 148,750</b>	<b>-8.4%</b>
<b>Division Operating Total</b>	<b>\$ 389,444</b>	<b>\$ 411,821</b>	<b>\$ 366,119</b>	<b>\$ 419,712</b>	<b>1.9%</b>
<b>Information Management</b>					
<b>Labor:</b>					
Salaries	\$ 98,436	\$ 98,800	\$ 99,389	\$ 107,306	8.6%
<b>Non-Labor:</b>					
Contractor Services	63,071	65,150	65,000	101,025	55.1%
Equipment (Non Capital)	20,152	25,000	25,824	30,000	20.0%
Materials/Services/Supplies	167,389	193,068	179,580	183,338	-5.0%
Professional Services	-	75,000	-	50,000	-33.3%
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 250,612</b>	<b>\$ 358,218</b>	<b>\$ 270,404</b>	<b>\$ 364,363</b>	<b>1.7%</b>
<b>Division Operating Total</b>	<b>\$ 349,048</b>	<b>\$ 457,018</b>	<b>\$ 369,792</b>	<b>\$ 471,669</b>	<b>3.2%</b>
<b>Engineering Services</b>					
<b>Labor:</b>					
Salaries	\$ 481,245	\$ 530,440	\$ 529,000	\$ 585,757	10.4%
<b>Non-Labor:</b>					
Contractor Services	-	10,000	13,000	55,000	450.0%
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	42,700	42,000	37,705	47,000	11.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	64	500	500	500	0.0%
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 42,764</b>	<b>\$ 52,500</b>	<b>\$ 51,205</b>	<b>\$ 102,500</b>	<b>95.2%</b>
<b>Division Operating Total</b>	<b>\$ 524,009</b>	<b>\$ 582,940</b>	<b>\$ 580,205</b>	<b>\$ 688,257</b>	<b>18.1%</b>



Table #4 - Administrative Services, Division Budget to Budget Comparison, cont.

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
<b>Safety &amp; Risk</b>					
<b>Labor:</b>					
Salaries	\$ 190,607	\$ 217,428	\$ 185,407	\$ 241,955	11.3%
<b>Non-Labor:</b>					
Contractor Services	20,953	25,000	29,000	40,000	60.0%
Equipment (Non Capital)	39,719	70,000	70,314	66,550	-4.9%
Materials/Services/Supplies	24,290	30,200 *	29,743	30,200 *	0.0%
Professional Services	269,838	350,000	465,690	599,865	71.4%
Memberships/Training/Permits	2,367	3,000	2,800	2,700	-10.0%
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 357,167</b>	<b>\$ 478,200</b>	<b>\$ 597,547</b>	<b>\$ 739,315</b>	<b>54.6%</b>
<b>Division Operating Total</b>	<b>\$ 547,774</b>	<b>\$ 695,628</b>	<b>\$ 782,954</b>	<b>\$ 981,270</b>	<b>41.1%</b>

\*Includes \$20,000 budget for potential small claims.

<b>Vehicle Services &amp; Shop</b>					
<b>Labor:</b>					
Salaries	\$ 76,845	\$ 114,913	\$ 88,163	\$ 100,745	-12.3%
<b>Non-Labor:</b>					
Contractor Services	29,229	27,500	32,273	34,000	23.6%
Equipment (Non Capital)	71	-	-	-	NA
Materials/Services/Supplies	296,244	290,000	295,464	300,000	3.4%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 325,545</b>	<b>\$ 317,500</b>	<b>\$ 327,737</b>	<b>\$ 334,000</b>	<b>5.2%</b>
<b>Division Operating Total</b>	<b>\$ 402,390</b>	<b>\$ 432,413</b>	<b>\$ 415,900</b>	<b>\$ 434,745</b>	<b>0.5%</b>

**Fiscal Year 2022-23 Accomplishments**

- Continued working with LAFCO on detachment efforts
- Processed 10 new-hire employees
- Participated and finalized the Emergency Response Plan (ERP) for compliance with America’s Water Infrastructure Act of 2018 (AWIA)
- Submitted for ACWA JPIA H.R. LaBounty Award – 2 FPUD employees received awards
- Revised and updated critical safety policies identified by the safety program audit
- Executed CIP as planned for recycled water and administrative projects
- Revised pipeline replacement project procurement approach and implemented emergency on-call repair services program to improve pipeline replacement execution in the future
- Implemented GASB 87
- Updated the District’s 5-year financial plan and completed a Prop 218 process for rates and charges
- Solicited and selected new independent auditors for the Fiscal Year 2022-23 financial reports

**Fiscal Year 2023-24 Goals and Objectives**

- Submit for annual ACWA JPIA H.R. LaBounty Award
- Continue to revise and update critical safety policies identified by safety program audit
- Conduct an emergency response drill and update emergency response procedures accordingly
- Further adjust the pipeline replacement contractor procurement process by planning for 2 years of projects in advance to resolve the ongoing supply-chain issues
- Execute planned CIP projects
- Complete the review and selection of a third party administrator for the District’s deferred compensation plans and implement fiduciary oversight of the plans
- Conduct multiple site inspections to ensure stores are properly represented in the District’s inventory
- Develop fleet performance report that assesses the fleet’s operations and maintenance
- Document finance policy and procedure guides

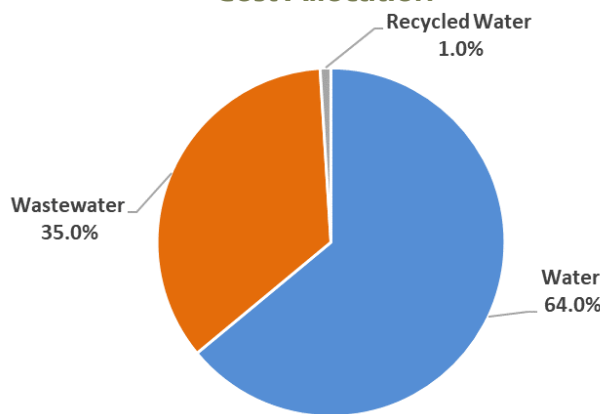
**Table #5 - Administrative Services Key Performance Indicators**

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	Target Met
Efficiency	Maintain a Workers Compensation Experience Modification Rate below 1%	Below 1%	0.89%	0.86%	Yes
Efficiency	Maintain an inventory shrinkage rate of less than 1%	Below 1%	0.3%	0%	Yes
Community	Maintain an average customer service call wait time of less than 3 minutes	Below 3 minutes	0:40 seconds	0:59 seconds	Yes
Community	Percentage of customers enrolled in Watersmart-AMI portal (as a % of total District customers)	60% by Fiscal Year 2026	31%	37%	Yes
Workforce	Employee engagement survey results; percentage of employees rating their overall morale as "high".	Above 25%	N/A	47%	Yes
Fiscal Management	Debt Coverage	>1.20	2.05	Not Available	Yes
Fiscal Management	Days Cash on hand	90 days or greater	109 days	Not Available	Yes

**Cost Allocation of Administrative Services**

Because Administrative Services acts like an internal service fund and supports the District’s revenue generating activities, the cost must be recovered through rates and charges levied by the core services; water, wastewater and recycled water. Administrative costs are allocated to water, wastewater and recycled water services operating budgets based upon the share of total accounts in each of the services. The accompanying chart shows the breakdown of accounts and the Administrative Service Allocations.

**Chart #1 - Administrative Services Cost Allocation**



Total Number of Accounts: 14,374

**Water Services**

The District provides Water Services to approximately 9,200 meters within the District’s service area. The Water Services’ operating budget is comprised of the District’s water operations costs, which includes the cost to operate and maintain the District’s SMGTP. The Water Supply Cost is reported separately. (Pg. 50). Appendix A provides the detailed revenue, expense and fund balance projections for Water operations. Water Services provide the following functions:

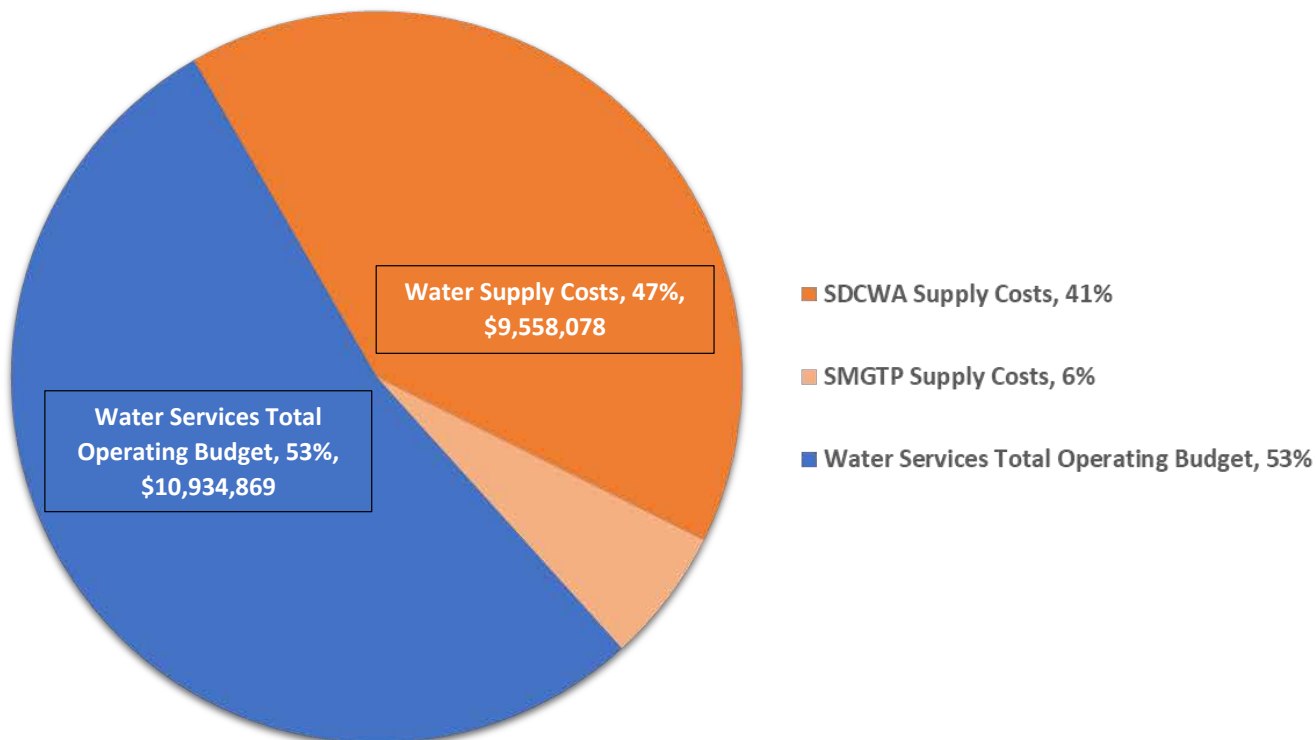
**DISTRICT’S WATER SUPPLY COSTS**

The District’s water supply costs are 47% of the water services budget.

- Operate and maintain an advanced membrane ground water treatment plant (SMGTP) to produce quality treated water for the District’s customers
- Manage the production of SMGTP water and the delivery of water from the District’s wholesale water supplier for delivery to the District’s customers
- Manage an asset management program that optimizes life-cycle costs and maintains, repairs and replaces system assets
- Operate water system assets including reservoirs, valves, pump stations, control facilities
- Maintain the District’s Water Service’s rights of way
- Manage the District’s water meters and Smart Meter replacement program

Water Services is broken down into divisions that support a specific function. Some changes to labor allocations have been made to align expenditures with cost of service principles given the addition of the Treatment Division. Water Services historic and proposed staffing levels are shown in Table 6.

**Chart #2 - Water Services Operating Costs \$20,492,948**



**Table #6 - Water Services Approved Positions**

Position	Actual FTE*	Actual FTE*	Proposed FTE*
	FY 2021-22	FY 2022-23	FY 2023-24
Field Services Manager	1.0	1.0	1.0
Utility Technician	4.5	-	-
Crew Leader	-	4.5	2.8
Utility Worker I & II	11.5	11.5	12.8
System Services Supervisor	1.0	1.0	1.0
Construction Supervisor	-	-	1.0
Operations Manager	0.75	0.75	0.75
System Operations Supervisor	1.0	1.0	1.0
Systems Operator I, II & III	4.0	4.0	5.0
SCADA/Electrical/Maintenance Supervisor	0.75	0.75	0.75
Instrumentation, Electrical & Controls Tech I & II	1.5	1.5	1.5
Senior Maintenance Technician	0.2	0.2	0.2
Maintenance Technician I & II	0.2	0.2	0.2
<b>TOTAL FTE</b>	<b>26.4</b>	<b>26.4</b>	<b>28.0</b>

\*FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

**Water Treatment**

- Operate and maintain a new groundwater treatment plant to treat water delivered by Camp Pendleton
- Maximize SMGTP production to achieve lowest Water Supply Cost mix
- Schedule and manage wholesale water deliveries to the District to optimize SMGTP operations

**Production and Distribution**

- Schedule and manage the District’s distribution facilities
- Operate water system assets and monitors system conditions including water pressure, water flows, storage facilities and water quality
- Maintain crews to operate the system and respond to customer inquiries

**Pipeline Maintenance and Construction**

- Maintain the District’s Water Services assets
- Manage all Water Services repairs and asset replacements
- Replace aged water mains and valves
- Maintain 24-hour coverage of large water main breaks
- Maintain all right-of-way and interconnects with neighboring districts

**System Services**

- Meter reading, meter repair, meter exchange programs and delinquent account lock/unlocking

As reflected in Table 7, overall the Water Services Budget is increasing 13.4%. This is largely due to the 164% increase in the volume of water treated at the District’s SMGTP. The costs for SMGTP operations are mostly captured in the Non-Labor category and are related to power and chemical costs. It should be noted, the projected FY 2022-23 labor costs reflect the impact of a series of pipeline emergencies and a rash of vandalism to the District’s backflow valves. Labor costs are expected to be slightly down budget to budget as normal operations and a more typical level of emergency activities are expected.

**Table #7 - Water Services, Total Operating Budget Summary\***

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor **	\$ 1,873,843	\$ 2,097,982	\$ 2,231,866	\$ 2,068,956	-1.4%
Total Non-Labor	1,403,552	1,638,773	1,766,887	2,450,856	49.6%
<b>Operating Total</b>	<b>\$ 3,277,395</b>	<b>\$ 3,736,755</b>	<b>\$ 3,998,753</b>	<b>\$ 4,519,812</b>	<b>21.0%</b>
Allocated Benefits Expenditures	1,262,791	1,214,646	1,214,646	1,337,251	10.1%
<b>Total Direct Water Costs</b>	<b>\$ 4,540,186</b>	<b>\$ 4,951,401</b>	<b>\$ 5,213,399</b>	<b>\$ 5,857,063</b>	<b>18.3%</b>
Allocation of Administrative Services	4,423,586	4,690,063	4,651,909	5,077,806	8.3%
<b>Total Services Budget</b>	<b>\$ 8,963,772</b>	<b>\$ 9,641,464</b>	<b>\$ 9,865,308</b>	<b>\$10,934,869</b>	<b>13.4%</b>

\* Appendix A provides the detailed revenue, expense and fund balance projections for Water operations.

\*\* Total Labor does not include District’s Benefits.

**Table #8 - Water Services, Division Budget to Budget Comparison**

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
<b>Treatment</b>					
<b>Labor:</b>					
Salaries	\$ 149,204	\$ 266,697 (1)	\$ 297,273	\$ 418,098	56.8%
<b>Non-Labor:</b>					
Contractor Services	154,232	80,000	70,000	136,000	70.0%
Equipment (Non Capital)	4,826	5,000	3,474	8,000	60.0%
Materials/Services/Supplies	197,371	352,773 (1)	435,242	395,121	12.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	20,190	-	-	-	NA
Utilities **	240,318	385,000 (1)	453,155	939,454	144.0%
<b>Total Non-Labor</b>	<b>\$ 616,936</b>	<b>\$ 822,773</b>	<b>\$ 961,871</b>	<b>\$ 1,478,575</b>	<b>79.7%</b>
<b>Division Operating Total</b>	<b>\$ 766,140</b>	<b>\$ 1,089,470</b>	<b>\$ 1,259,144</b>	<b>\$ 1,896,673</b>	<b>74.1%</b>

(1) Budget Amendment for increase of \$29,273 for labor required for additional deliveries to SMGTP. Budget Amendment for increase of \$174,275 for Utilities and Chemicals and Laboratory Supplies required for additional flows received to SMGTP.

\*\* Utility cost increase driven by actual cost levels.

Table #8 - Water Services, Division Budget to Budget Comparison, cont.

Description	FY 2021-22 Actual	FY 2022-23		FY 2023-24 Budget	Budget to Budget Change (%)
		Amended Budget	Projected		
<b>Production &amp; Distribution</b>					
<b>Labor:</b>					
Salaries	\$ 757,957	\$ 561,891 (1)	\$ 665,200	\$ 564,591	0.5%
<b>Non-Labor:</b>					
Contractor Services	70,448	101,000	95,000	192,581	90.7%
Equipment (Non Capital)	7,837	20,000	10,000	20,000	0.0%
Materials/Services/Supplies	209,157	224,000	187,541	259,700	15.9%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	68,261	80,000	85,000	90,000	12.5%
Utilities **	76,505	90,000	70,000	92,000	2.2%
<b>Total Non-Labor</b>	<b>\$ 432,208</b>	<b>\$ 515,000</b>	<b>\$ 447,541</b>	<b>\$ 654,281</b>	<b>27.0%</b>
<b>Division Operating Total</b>	<b>\$ 1,190,165</b>	<b>\$ 1,076,891</b>	<b>\$ 1,112,741</b>	<b>\$ 1,218,872</b>	<b>13.2%</b>

(1) Amended Standby Budget down by \$90,050. Amended Water-Pipeline Maintenance & Construction, Wastewater-Collections and Wastewater-Treatment Budgets by increases of \$43,175, \$20,970 and \$25,905 respectively.

\*\*Utility cost increase driven by actual cost levels.

<b>Pipeline Maintenance &amp; Construction</b>					
<b>Labor:</b>					
Salaries	\$ 457,011	\$ 715,878 (1)	\$ 715,878	\$ 567,965	-20.7%
<b>Non-Labor:</b>					
Contractor Services	29,500	40,000	40,000	46,000	15.0%
Equipment (Non Capital)	13,475	10,000	10,000	10,000	0.0%
Materials/Services/Supplies	125,337	40,000	78,445	45,000	12.5%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 168,312</b>	<b>\$ 90,000</b>	<b>\$ 128,445</b>	<b>\$ 101,000</b>	<b>12.2%</b>
<b>Division Operating Total</b>	<b>\$ 625,323</b>	<b>\$ 805,878</b>	<b>\$ 844,323</b>	<b>\$ 668,965</b>	<b>-17.0%</b>

(1) Budget Amendment for increase of \$232,747 for labor allocated to emergency repairs and amended Standby Budget by increase of \$43,175.

<b>System Services</b>					
<b>Labor:</b>					
Salaries	\$ 509,671	\$ 553,515 (1)	\$ 553,515	\$ 518,301	-6.4%
<b>Non-Labor:</b>					
Contractor Services	70,000	106,000	100,000	100,000	-5.7%
Equipment (Non Capital)	1,850	-	1,347	-	NA
Materials/Services/Supplies	114,247	105,000	127,683	117,000	11.4%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities	-	-	-	-	NA
<b>Total Non-Labor</b>	<b>\$ 186,096</b>	<b>\$ 211,000</b>	<b>\$ 229,030</b>	<b>\$ 217,000</b>	<b>2.8%</b>
<b>Division Operating Total</b>	<b>\$ 695,767</b>	<b>\$ 764,515</b>	<b>\$ 782,545</b>	<b>\$ 735,301</b>	<b>-3.8%</b>

(1) Budget Amendment for increase of \$74,253 for labor allocated to emergency repairs.

**Fiscal Year 2022-23 Accomplishments**

- Rehabilitated Field Services Restroom/Locker-room
- Replaced 100 water main valves; 73 valves have been replaced by May 1
- Completed remaining meters in exchange program; 18 meter exchanges left to complete as of May 1
- Began meter testing program
- Demo dilapidated tank at Lange Reservoir; demo to start on May 15
- Continued Right of Way maintenance program; 6,188 feet have been completed as of May 1
- Continued valve maintenance program; Average of 205 valves monthly exercised
- Began fire hydrant maintenance program; 35 per month average
- Upgraded the SCADA system to improve communication between critical sites
- Developed advanced reporting/dashboards in CMMS
- Maintained operation of SMGTP to deliver all available water supplies
- Optimized operation of SMGTP and developed preventative maintenance program
- Added a flow control facility at the SMGTP to allow continuous operation during an offspec event that would have shut the process offline
- Completed capital projects in accordance with approved budget and asset-management plan

**Fiscal Year 2023-24 Goals and Objectives**

- Replace 100 water main valves
- Continue meter testing program
- Continue demo dilapidated tank at Lange Reservoir
- Continue Right of Way maintenance program
- Continue valve maintenance program
- Continue fire hydrant maintenance program
- Maintain operation of SMGTP to deliver all available water supplies
- Maintain/rebuild the District's flow control facilities as determined by their service schedule
- Complete a 2-month predesign test on the 8.0 MG Tank to boost chloramine residual and maintain a high reservoir water level for increased fire protection
- Replace the downstream isolation valve at the Kauffman Pressure Reducing Station, so the PRV can be maintained.
- Add a protective seal coat layer on the asphalt on the access around the Red Mountain Reservoir and UV Treatment Facility
- Secure the 2.8 Reservoir with security fencing and the access gate
- Install a new valve to control SMGTP flow up the East Line at the Red Mountain site
- Purchase key equipment at the SMGTP, to keep the facility operating in the event of equipment failure
- Continue to develop redundancy systems for SMGTP process equipment to ensure sustained treatment operations

- Continue development of SMGTP preventative maintenance program to encapsulate all process equipment, including: motor controls, motorized operated valves, air vents, instrumentation and all other related equipment
- Begin replacement of antiquated SCADA RTU equipment at remote sites and begin migration from old SCADA system to new SCADA servers
- Deploy selected solar backup equipment to critical remote sites to maintain SCADA communications during utility power outages

**Table #9 - Water Services Key Performance Indicators**

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	Target Met
Water Supply	Cost/Acre Foot of SMGTP Product Water Supply	Below \$1,500/AF	\$1,640/AF*	Not Available	No
Water Supply	Sample 60 residents that meet the criteria for Lead and Copper	60 residents	72 residents	73 residents	Yes
Water Supply	Receive and treat all entitled deliveries to the SMGTP	100% of deliveries treated	N/A	116% through March 2023	Yes
Infrastructure	Maintain 4,000 feet of right of ways/year	4,000 feet	1,608 feet	6,188 feet	Yes
Infrastructure	Replace 100 water main valves/year	100 water main valves	73 water main valves	73 water main valves as of May 1	No
Infrastructure	100% regulatory compliance for water quality sampling	100% Compliance	100%	100%	Yes
Infrastructure	Exercise 189 valves and 46 fire hydrants per month as part of a three year valve exercise program cycle	189 valves per month; 46 fire hydrants/month	159 valves/month Hydrants not exercised until FY 2023	205 valves/month 35 Hydrants/month	Yes
Infrastructure	Test 400 meters per year	400 meters	N/A	N/A, testing began in May 2023	No
Infrastructure	Fire flow test 5 hydrants per month	5 hydrants per month	N/A	2 tests have been completed in the 1st year	No

\* FY 2021-22 was the first year of SMGTP's operation which included additional startup costs that exceeded normal year expenditures.





## Water Supply Costs

The District’s Water Supply Costs are comprised of Purchased Water Costs and pumping costs. The District’s Purchased Water Costs are comprised of the wholesale water costs from SDCWA and Camp Pendleton’s water delivery costs for Santa Margarita River Water. As shown in Chart 4, this Fiscal Year Camp Pendleton will pump an estimated 1,713 AF 7 miles from the Santa Margarita River Aquifer to the SMGTP. An expected 4,523 AF will be delivered to the District in Fiscal Year 2024. The cost of treating the water and delivering it to customers is included in the District’s Water Services Treatment Division’s costs. Water Supply Costs are broken down into fixed and variable costs. Variable or Commodity costs vary depending on the amount of water purchased (this includes pumping costs). Fixed charges are set regardless of the water consumed during the billing period. The fixed water costs are comprised of the SDCWA’s fixed charges and MWD’s fixed charges that are a pass through by SDCWA. SDCWA’s recommended rates and charges are used for the Water Supply Cost estimate. The reduction in the Variable Water Cost is due to the reduced water purchases from SDCWA now that the District produces its own treated drinking water. The District’s variable and fixed water charges are summarized below.

**LOCAL WATER SUPPLY**

Local water supplies will reduce SDCWA water purchases by 4,523 AF or \$5.7 million this year.

### Variable Costs

**Melded Supply** – This is the \$/acre-foot rate the District pays for SDCWA water.

**Melded Treatment** – This is the \$/acre-foot rate the District pays for SDCWA water that is potable. The District only purchases treated water from SDCWA.

**Transportation** – This is the \$/acre-foot rate the District pays for water transported by the SDCWA.

**Special Agricultural Water Rate (SAWR)** – This is the \$/acre-foot rate the District pays for water that is in the SAWR program.

**Santa Margarita Conjunctive Use Project (SMRCUP) Pumping Costs** – This is the \$/acre-foot rate the District pays Camp Pendleton for SMR water that is pumped to the SMGTP.

Variable Costs are **65%** of the Total Cost of Water Purchased from SDCWA

### Fixed Costs

**Supply Reliability Charge** – SDCWA charge to collect a portion of the costs associated with highly reliability water supplies (i.e. Desalination).

**Infrastructure Access Charge (IAC)** – Meter charge imposed by SDCWA to provide water capacity.

**Customer Service Charge** – SDCWA charge designed to recover costs associated with SDCWA’s customer service and functions.

**Emergency Storage Charge** – SDCWA charge to recover costs associated with the Emergency Storage Program.

**MWD Capacity Charge** – MWD charge passed-through by the SDCWA. The MWD charge collects costs associated with demand peak.

**MWD Readiness-to-Serve Charge** – MWD charge for State Water Project costs passed through by the SDCWA.

Fixed Costs are **35%** of the Total Cost of Water Purchased from SDCWA

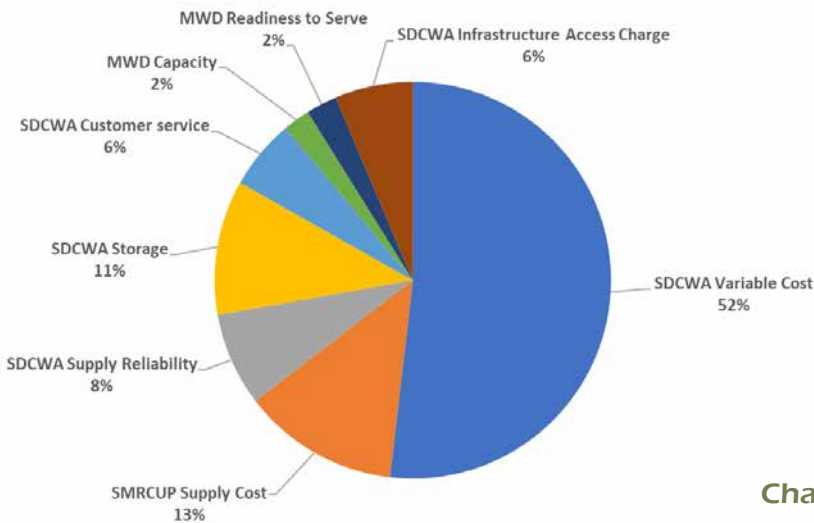
Table #10 - Variable and Fixed Charges Budget to Budget Comparison

	FY 2021-22 Actual	FY 2022-23		FY 2023-24 Budget	Budget to Budget Change (%)
		Amended Budget*	Projected		
<b>Variable Costs:</b>					
SDCWA Variable Cost	\$ 9,678,651	\$ 7,774,062	\$ 7,774,062	\$ 4,955,191	-36.3%
SMRCUP Supply Cost**	179,645	612,878	612,878	1,219,265	98.9%
<b>Fixed Costs:</b>					
SDCWA Supply Reliability	\$ 667,258	\$ 684,192	\$ 684,192	\$ 726,804	6.2%
SDCWA Storage	1,036,863	1,048,488	1,048,488	1,048,920	0.0%
SDCWA Customer service	559,905	555,840	555,840	547,662	-1.5%
MWD Capacity	258,523	237,030	237,030	209,694	-11.5%
MWD Readiness to Serve	260,989	264,456	264,456	242,400	-8.3%
SDCWA IAC	603,996	603,768	603,768	608,142	0.7%
<b>Total Water Supply Costs</b>	<b>\$13,245,830</b>	<b>\$ 11,780,714</b>	<b>\$ 11,780,714</b>	<b>\$ 9,558,078</b>	<b>-18.9%</b>

\*Amended Budget based on updated Water sales projection.

\*\* This estimate does not include the SMGTP LRP credit of \$305/AF @ 3,100 estimated AF; \$945,500.

Chart #3 - Water Supply Costs Breakdown



**CHANGING WATER WHOLESALER**

The LAFCO decision on the District's proposed detachment from SDCWA will determine if ratepayers will see a 30% decrease in the wholesale cost of water.

Chart #4 - Wholesale and Local Supply Mix

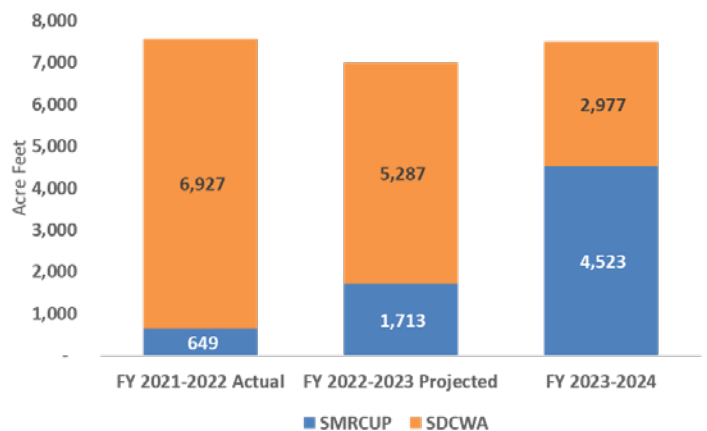
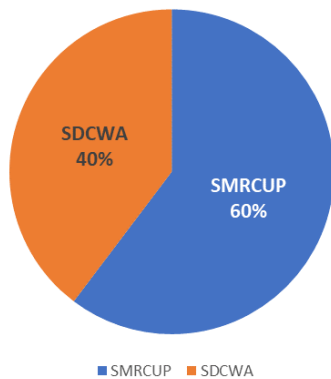


Chart #5 - Fiscal Year 2023-24 Water Supply Mix



**Wastewater Services**

The District provides Wastewater Services to approximately 5,000 service connections within the District’s service area. The largest component of the Wastewater Services’ operating budget is the operating costs of the District’s water reclamation plant. Appendix A provides the detailed revenue, expense and fund balance projections for Wastewater operations. Wastewater Services includes the following functions:

- Operate a water reclamation plant that provides tertiary treatment
- Manage an asset management program that optimizes lifecycle costs and maintains, repairs and replace plant and collections system assets
- Meet the Regional Water Quality Control Board’s discharge permit requirements
- Operate and maintain the District’s six collections system lift station and 100 miles of wastewater system piping

Wastewater Services is broken down into divisions that support a specific functions. Wastewater Services historic and proposed staffing levels are shown in Table 11.

**Table #11 - Wastewater Services Approved Positions**

Position	Actual FTE*	Actual FTE*	Proposed FTE*
	FY 2021-22	FY 2022-23	FY 2023-24
Collections Supervisor	1.0	1.0	1.0
Utility Technician	2.0	-	-
Crew Leader	-	2.0	2.0
Utility Worker I & II	5.0	5.0	5.0
Chief Plant Operator	0.85	0.85	0.7
Lead Plant Operator	1.7	1.7	1.7
Plant Operator I & II	1.7	1.7	1.7
Operations Manager	0.25	0.25	0.25
Environmental Compliance Technician	0.5	0.5	0.7
Laboratory Technician I & II	0.85	0.85	0.7
Senior Maintenance Technician	0.6	0.6	0.6
Maintenance Technician I & II	0.6	0.6	0.6
SCADA/Electrical/Maintenance Supervisor	0.25	0.25	0.25
Instrumentation, Electrical & Controls Tech I & II	0.5	0.5	0.5
<b>TOTAL FTE</b>	<b>15.8</b>	<b>15.8</b>	<b>15.7</b>

\* FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

**Collections**

- Provide emergency repairs and routine maintenance to the collections system
- Manage the District’s collection system inspection program that includes TV inspection of the collections system
- Maintain and operate a vactor truck
- Maintain lift stations, clean outs and system ocean outfall
- Provide light and heavy construction services

Treatment

- Operate and maintain the Water Reclamation Plant processes in the following areas: Headworks, Primary Sedimentation, Activated Sludge, Secondary Sedimentation and Solids Handling (which includes an aerobic digester and centrifuges)
- Conducts laboratory analysis and reporting to meet the Regional Water Quality Control Board’s discharge permit requirements

Table #12 - Wastewater Services Operating Budget Summary\*

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
Total Labor **	\$ 1,368,222	\$ 1,422,416	\$ 1,370,210	\$ 1,536,968	8.1%
Total Non-Labor	1,333,288	1,283,300	1,131,377	1,329,000	3.6%
<b>Operating Total</b>	<b>\$ 2,701,510</b>	<b>\$ 2,705,716</b>	<b>\$ 2,501,587</b>	<b>\$ 2,865,968</b>	<b>5.9%</b>
Allocated Benefits Expenditures	922,051	920,272	920,272	992,703	7.9%
<b>Total Direct Wastewater Costs</b>	<b>\$ 3,623,560</b>	<b>\$ 3,625,988</b>	<b>\$ 3,421,859</b>	<b>\$ 3,858,671</b>	<b>6.4%</b>
Allocation of Administrative Services	2,419,149	2,564,878	2,544,013	2,776,925	8.3%
<b>Total Services Budget</b>	<b>\$ 6,042,709</b>	<b>\$ 6,190,866</b>	<b>\$ 5,965,872</b>	<b>\$ 6,635,596</b>	<b>7.2%</b>

\* Appendix A provides the detailed revenue, expense and fund balance projections for Wastewater operations.

\*\* Total Labor does not include District’s Benefits.

Table #13 - Wastewater Services, Division Budget to Budget Comparison

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
<b>Collections</b>					
<b>Labor:</b>					
Salaries	\$ 533,263	\$ 500,812 (1)	\$ 510,234	\$ 624,127	24.6%
<b>Non-Labor:</b>					
Contractor Services	40,763	75,000	55,000	93,500	24.7%
Equipment (Non Capital)	4,158	5,000	5,786	5,000	0.0%
Materials/Services/Supplies	165,421	170,000	150,130	219,000	28.8%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	900	1,809	2,000	122.2%
Utilities **	162,034	122,300	112,000	118,000	-3.5%
<b>Total Non-Labor</b>	<b>\$ 372,377</b>	<b>\$ 373,200</b>	<b>\$ 324,724</b>	<b>\$ 437,500</b>	<b>17.2%</b>
<b>Division Operating Total</b>	<b>\$ 905,640</b>	<b>\$ 874,012</b>	<b>\$ 834,958</b>	<b>\$ 1,061,627</b>	<b>21.5%</b>

(1) Amended Standby Budget by increase of \$20,970.

\*\* Utility cost increase driven by actual cost levels.

Table #13 - Wastewater Services, Division Budget to Budget Comparison, cont.

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to
	Actual	Amended Budget	Projected	Budget	Budget Change (%)
<b>Treatment</b>					
<b>Labor:</b>					
Salaries	\$ 834,959	\$ 921,605 <sup>(1)</sup>	\$ 859,976	\$ 912,841	1.0%
Non-Labor Expenses:					
Contractor Services	397,018	353,000	300,000	348,000	-1.4%
Equipment (Non Capital)	3,915	7,000	7,400	17,000	142.9%
Materials/Services/Supplies	316,524	297,500	246,653	287,500	-3.4%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	84,703	95,000	95,000	95,000	0.0%
Utilities **	158,752	157,600	157,600	144,000	-8.6%
<b>Total Non-Labor</b>	<b>\$ 960,911</b>	<b>\$ 910,100</b>	<b>\$ 806,653</b>	<b>\$ 891,500</b>	<b>-2.0%</b>
<b>Division Operating Total</b>	<b>\$ 1,795,870</b>	<b>\$ 1,831,705</b>	<b>\$ 1,666,629</b>	<b>\$ 1,804,341</b>	<b>-1.5%</b>

(1) Amended Standby Budget by increase of \$25,905.

\*\*Utility cost increase driven by actual cost levels.

**Fiscal Year 2022-23 Accomplishments**

- Wastewater Treatment Plant achieved a >95% compliance rating with state and federal regulations, including the new NPDES permit R9-2019-0169
- Maintained equipment from the headwork’s to the secondary, including solids handling equipment
- Maintained energy consumption +/- 5%; FY 2022 energy consumption had a 3.5% decrease in total KWh
- Maintained chlorine usage +/- 5%; FY 2022 chlorine usage decreased by 12%
- Completed startup and commissioning of Tesla Megapack battery storage system-currently online and operating in peak-shaving capacity
- Began IPS motor controls upgrade project, involving the replacement of failed legacy variable frequency drives with Allen Bradley VFDs and new control panel wiring
- Upgraded 4 level transmitters throughout the plant to new Vega radar level transmitters and sensor
- Removal and refurbishment of both secondary clarifier RAS pumps- installation and testing of one has been completed- awaiting return of second pump for installation and testing
- Training of maintenance, electrical and controls staff in order to facilitate more effective preventative maintenance and more efficient corrective maintenance
- Installed new security camera systems (WWTP and Main Office)
- Kept average spills under 9,075
- Kept sewer spills under to 3 or less during the year

**Fiscal Year 2023-24 Goals and Objectives**

- Effectively operate Wastewater Treatment Plant to meet state and federal regulations, achieving a 100% compliance rating
- Efficiently reduce Total Energy KWh (Costs) by 5%
- Effectively complete overtime audit and implement operational changes to reduce overtime expense by 10%

- Develop, create and implement a Wastewater Treatment predictive maintenance program to properly budget critical equipment replacement/repair
- Maintain Wastewater Plant equipment from the headwork’s to secondary, including solids handling equipment using preventative and predictive measures
- Complete IPS motor controls upgrade to utilize new Allen Bradley variable frequency drives and control panel wiring
- Continue review and revision of existing preventative maintenance program to incorporate more comprehensive testing procedures and data acquisition in order to better predict failures
- Complete monthly inspections of the land outfall
- Complete weekly and monthly inspections on the sewer lift stations
- Reduce 10-year average wastewater spills by 10%. - Keeps spills under 8,100 gallons
- Keep common sewer spills to 3 or less during the year
- Clean 20,000 feet of regular sewer mains each month to total 240,000 feet a year
- Televis 8,000 feet a month of sewer mains to total 96,000 feet a year
- Complete monthly inspections of the land outfall
- Complete weekly and monthly inspections on the sewer lift stations

**Table #14 - Wastewater Services Key Performance Indicators**

Strategic Goal	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	Target Met
Infrastructure	Cost/MGD of Wastewater Influent Flows	Below \$3,500/MGD	\$3,497/MGD	Not Available	Yes
Efficiency	Reduce 10-year average wastewater spills by 10% - Keep spills under 9,075 gallons	Below 9,075 gallons	N/A	3,010 gallons 10 year average	Yes
Efficiency	Keep common sewer spills to 3 or less during the year	3 or less spills/year	5 spills; 2 contractor spills	1 spill	Yes
Efficiency	Clean 20,000 feet of regular sewer mains each month to total 240,000 feet per year	240,000 feet/year	288,337 feet	Not Available	Yes
Efficiency	Maintain energy consumption to stay within the annual average target	Below 2,760,000 kWh	2,773,051/ kWh	Not Available	No

**Recycled Water Services**

The District provides Recycled Water Services to 30 meters within the District’s service area. The largest component of the Recycled Water Services’ operating budget is the operating costs of the District’s water reclamation plant. Appendix A provides the detailed revenue, expense and fund balance projections for Recycled Water operations. Recycled Water Services includes the following functions:

- Operate the Water Reclamation Plant, equipment and processes necessary to produce recycled water
- Liaise with recycled water customers to schedule deliveries and inspections of service connections
- Operate and maintain the District’s distribution system, which includes 10.5 miles of pipe and 14 customers in the Fallbrook service area

Recycled Water Services is broken down into Divisions that support a specific function. Recycled Water Services historic and proposed staffing levels are shown in Table 15.

**Table #15 - Recycled Water Services Approved Positions**

Position	Actual FTE*	Actual FTE*	Proposed FTE*
	FY 2021-22	FY 2022-23	FY 2023-24
Chief Plant Operator	0.15	0.15	0.3
Lead Plant Operator	0.3	0.3	0.3
Plant Operator I & II	0.3	0.3	0.3
Environmental Compliance Technician	0.5	0.5	0.3
Laboratory Technician I & II	0.15	0.15	0.3
Senior Maintenance Technician	0.2	0.2	0.2
Maintenance Technician I & II	0.2	0.2	0.2
Utility Technician	0.5	-	-
Crew Leader	-	0.5	0.2
Utility Worker I	0.5	0.5	0.2
<b>TOTAL FTE</b>	<b>2.8</b>	<b>2.8</b>	<b>2.3</b>

\* FTE - Full-Time Equivalents

The divisions and their activities are summarized below.

**Production**

- Operates and maintains the Water Reclamation Plant tertiary processes, such as the filters, chlorine contact basin, recycled water pumps, and recycled water storage/pond
- Laboratory analyses and reporting to meet permit requirements

**Distribution**

- Maintains the Districts Recycled Water Services distribution assets
- Conducts valve, meter maintenance and meter replacement
- Operates and maintains a SCADA telemetry system
- Conducts site connection and system inspections
- Maintains right-of-way and interconnects with neighboring districts

As shown in Table 16, the Recycled Services Budget is increasing by 28.5%. This is being driven by an increase in labor cost allocation. The change in labor cost allocation was driven by the 2022 Water, Recycled Water and Wastewater Cost of Service Study. The changes better allocate the District’s labor costs to the Recycled Water Service.

**Table #16 - Recycled Water Services Operating Budget Summary\***

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor **	\$ 131,098	\$ 160,078	\$ 161,114	\$ 259,144	61.9%
Total Non-Labor	217,716	222,500	223,210	217,500	-2.2%
<b>Operating Total</b>	<b>\$ 348,813</b>	<b>\$ 382,578</b>	<b>\$ 384,324</b>	<b>\$ 476,644</b>	<b>24.6%</b>
Allocated Benefits Expenditures	88,347	107,097	107,097	167,377	56.3%
<b>Total Direct Recycled Water Costs</b>	<b>\$ 437,160</b>	<b>\$ 489,675</b>	<b>\$ 491,421</b>	<b>\$ 644,021</b>	<b>31.5%</b>
Allocation of Administrative Services	69,119	73,282	72,686	79,341	8.3%
<b>Total Services Budget</b>	<b>\$ 506,279</b>	<b>\$ 562,957</b>	<b>\$ 564,107</b>	<b>\$ 723,362</b>	<b>28.5%</b>

\* Appendix A provides the detailed revenue, expense and fund balance projections for Recycled Water operations.

\*\* Total Labor does not include District’s Benefits.

**Table #17 - Recycled Water Services, Division Budget to Budget Comparison**

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
<b>Production</b>					
<b>Labor:</b>					
Salaries	\$ 101,968	\$ 149,640	\$ 139,990	\$ 229,979	53.7%
<b>Non-Labor:</b>					
Contractor Services	34,403	36,000	36,000	36,000	0.0%
Equipment (Non Capital)	8,723	4,000	4,000	4,000	0.0%
Materials/Services/Supplies	105,833	89,500	105,228	96,500	7.8%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	68,036	68,000	68,000	62,000	-8.8%
<b>Total Non-Labor</b>	<b>\$ 216,995</b>	<b>\$ 197,500</b>	<b>\$ 213,228</b>	<b>\$ 198,500</b>	<b>0.5%</b>
<b>Division Operating Total</b>	<b>\$ 318,963</b>	<b>\$ 347,140</b>	<b>\$ 353,218</b>	<b>\$ 428,479</b>	<b>23.4%</b>

\*\*Utility cost increase driven by actual cost levels.



Table #17 - Recycled Water Services, Division Budget to Budget Comparison, cont.

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
<b>Distribution</b>					
<b>Labor:</b>					
Salaries	\$ 29,130	\$ 10,438	\$ 21,125	\$ 29,165	179.4%
<b>Non-Labor:</b>					
Contractor Services	-	-	1,622	-	NA
Equipment (Non Capital)	-	-	-	-	NA
Materials/Services/Supplies	6	25,000	8,500	19,000	-24.0%
Professional Services	-	-	-	-	NA
Memberships/Training/Permits	-	-	-	-	NA
Utilities **	715	-	(140)	-	NA
<b>Total Non-Labor</b>	<b>\$ 720</b>	<b>\$ 25,000</b>	<b>\$ 9,982</b>	<b>\$ 19,000</b>	<b>-24.0%</b>
<b>Division Operating Total</b>	<b>\$ 29,850</b>	<b>\$ 35,438</b>	<b>\$ 31,107</b>	<b>\$ 48,165</b>	<b>35.9%</b>

\*\*Utility cost increase driven by actual cost levels.

### Fiscal Year 2022-23 Accomplishments

- Operated the Water Reclamation Plant tertiary treatment units while staying in compliance with applicable recycled water permits: Order No. 91-39, Title 22, State Recycled Water Permits and Policy
- Provided reliable recycled water production by maintaining the Water Reclamation Plant tertiary equipment from the filters to the reclaimed water pond, using preventative and predictive measures
- Completed Annual isolation, inspection and cleaning of 1 million gallon Recycled Storage Pond
- Completed Annual Secondary Clarifier rotation for maintenance and reliability purposes
- Completed Annual preventative maintenance and safety reliability verification on Chlorine Gas Feed system
- Completed integrity inspection and reliability verification on Emergency Gas Scrubber System and replaced critical pump/motor in-kind unit
- Installed/replaced critical equipment for headwork’s washing/compaction process
- Raised Safety and Security standards by upgrading antiquated video surveillance system and facility remote access points
- Successfully extracted and refurbished 3 large critical pumps/motors
- Refurbishment of 2 recycled water distribution pumps and motors

### Fiscal Year 2023-24 Goals and Objectives

- Effectively operate Water Reclamation Treatment Plant to meet state and federal regulations, achieving a 100% compliance rating
- Efficiently reduce Total Energy KWh (Costs) by 5%
- Efficiently reduce Total Chlorine usage (Costs) by 5%
- Effectively complete overtime audit and implement operational changes to reduce overtime expense by 10%

- Develop, create and implement a Water Reclamation Plant predictive maintenance program to properly budget critical equipment replacement/repairs to achieve 95% accuracy with CIP budget
- Maintain Water Reclamation Plant equipment from the headwork’s to Recycled Water Storage Pond equipment using preventative and predictive measures to maintain a 10% deviation from proposed budget
- Maintain critical equipment data for proper diagnostic/troubleshooting and predictive life expectancy
- Accurately maintain/manage Chlorine disinfection system to reduce total operational costs

**Table #18 - Recycled Water Services Key Performance Indicators**

Strategic Goal	Department	Key Performance Indicator	Target	FY 2021-22 Actual	FY 2022-23 Actual	Target Met
Efficiency	Recycled	Maintain an overall compliance of >99.9% each month from all samples associated with the Title 22 and WDR Permit	>99.9%	100%	Not Available	Yes
Efficiency	Recycled	Maintain energy consumption data to stay within the annual average target	2,760,000 kWh or below	2,773,051/kWh	Not Available	No

**Community Benefit Program**

In response to the community’s request, the District has formed the Community Benefit Program (CBP). The CBP maintains public spaces in the District’s service area. The CBP is funded by water property tax revenues. Each year the amount established by the Board will be transferred into the CBP fund and used for the benefit of community. The funds will be managed by a Board appointed committee and require minimal staff support.

**Table #19 - Community Benefit Program Approved Positions**

Position	Actual FTE* FY 2021-22	Actual FTE* FY 2022-23	Proposed FTE* FY 2023-24
Purchasing Warehouse Supervisor	-	0.05	0.01
<b>TOTAL FTE</b>	<b>0.0</b>	<b>0.05</b>	<b>0.01</b>

\* FTE - Full-Time Equivalents

**Table #20 - Community Benefit Program Operating Budget Summary**

Description	FY 2021-22*	FY 2022-23 **		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Total Labor	\$ -	\$ 6,961	\$ 6,961	\$ 1,464	-79.0%
Total Non-Labor	-	28,491	28,491	544,536	1811.2%
<b>Total Budget</b>	<b>\$ -</b>	<b>\$ 35,452</b>	<b>\$ 35,452</b>	<b>\$ 546,000</b>	<b>1440.1%</b>

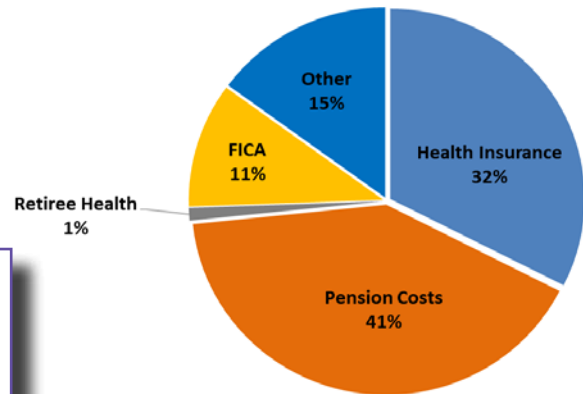
\*Community Benefit Program not yet operational.

\*\* Amended Budget based on projection.

## Employee Benefits

The District updates the cost of the benefits offered to District staff as part of the annual budget. A new Memorandum of Understanding (MOU) between the District and its employee associations was negotiated in 2022 and is set to expire in June 2027. The budget was developed based upon the terms of the MOU. Table 21 shows the breakdown of the District’s costs related to employee benefits.

Chart #6 - Fiscal Year 2023-24 Benefits Breakdown



### STRATEGIC PLANNING

The District’s proactive management of the district’s pension obligations has resulted in 85% funding of its pension obligations. This limits the potential for future rate and charge increases due to pension obligation funding needs.

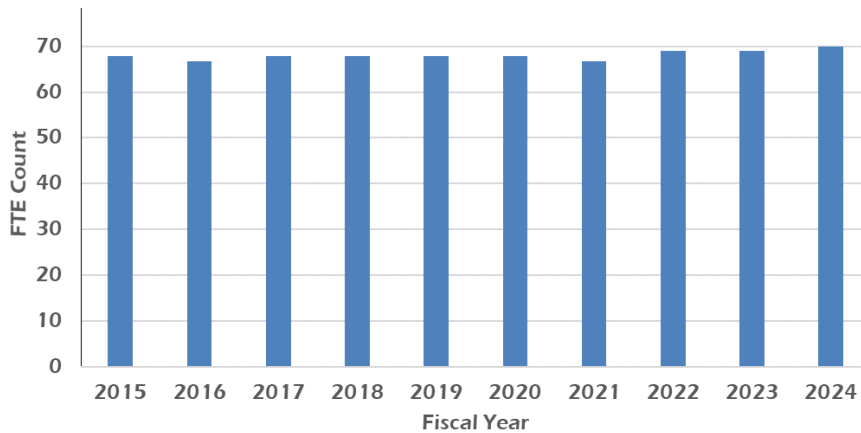
Table #21 - Breakdown of District’s Employee Benefit Costs

Description	FY 2021-22	FY 2022-23		FY 2023-24	Budget to Budget Change (%)
	Actual	Amended Budget	Projected	Budget	
Auto Allowance	\$ 18,962	\$ 21,750	\$ 23,500	\$ 21,750	0.0%
Insurance - Dental	66,565	73,817	72,697	84,731	14.8%
Insurance - Vision	13,649	14,606	13,267	14,818	1.5%
Insurance - Health	1,078,333	1,135,576	1,096,942	1,310,890	15.4%
Insurance - Life and Disability	48,937	50,481	58,082	57,390	13.7%
Insurance - Worker’s Comp	117,551	167,266	167,266	153,532	-8.2%
Performance Bonus	35,029	26,921	8,211	20,800	-22.7%
FICA - Employer’s share	462,748	478,138	516,434	529,000	10.6%
CalPERS Annual Contribution	602,815	688,148	688,148	803,005	16.7%
CalPERS Unfunded Liability Payment	1,112,995	1,285,994	1,285,994	1,237,755	-3.8%
Pension/OPEB Liability Trust Payment *	500,000	500,000	500,000	500,000	0.0%
Employer’s share (401 & 457)	49,167	95,095	78,256	125,489	32.0%
District Share of Retiree Medical Insurance	53,607	50,812	57,626	53,318	4.9%
Merit Increase Bonus	-	20,000	30,789	33,000	65.0%
Uniforms & Boots	52,491	43,607	46,580	45,543	4.4%
<b>Total</b>	<b>\$ 4,212,848</b>	<b>\$ 4,652,210</b>	<b>\$4,643,792</b>	<b>\$ 4,991,021</b>	<b>7.3%</b>

\*\$500,000 transferred to the District’s Section 115 Pension Trust.

The District’s staffing levels shown in Chart 7 show the addition of a one FTE for a total of 70 FTEs. The District participates in the California Public Employees’ Retirement System (CalPERS). While the calculations are complex, the District’s pension costs can be split into the annual required contribution and the Annual Unfunded Liability (AUL) Payment. The budget utilizes the latest CalPERS annual report that provides these costs. While the annual contribution has increased, the AUL has decreased reducing

Chart #7 - Fallbrook Public Utility District's Approved Full-Time Staffing Equivalents



the total CalPERS payment for this Budget. The District has maintained its contribution to the Pension/OPEB Liability 115 Trust as part of the Board's strategy to mitigate the impacts of changing pension costs. Appendix D provides the District's CalPERS annual payment schedule for the Unfunded Actuarial Accrued Liability (UAAL).

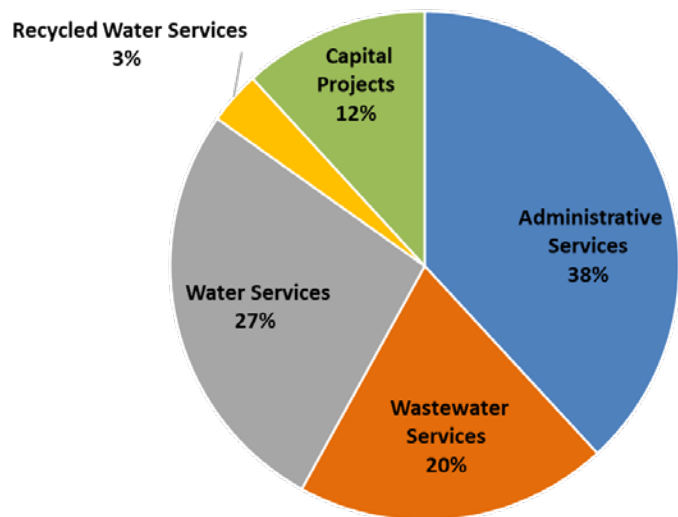
The District's healthcare insurance costs are up due to higher premiums, the addition of an FTE and the trend for new hires to elect family coverage under the District's healthcare plans. Under the new MOU the District is increasing the employee contribution match to 401 and 457 plans increasing the cost. The increase in Merit Bonus cost is a true up to actual. The last year's budget was estimated prior to MOU implementation. Changes to other benefits are shown on the table.

This year 60% of the District's staff fall under the Public Employees' Pensions Reform Act (PEPRA). The changes in pension benefits for PEPRA staff are expected to lower the District's future pension costs.

**Benefit Allocation**

The District's benefit costs are allocated to each of the District's Services based upon its share of the budgeted salary and wages. This allocation methodology aligns the benefit cost allocation with salary and wages, which are the primary determinants of the benefit costs. A portion of the Benefits cost is allocated to labor associated with Capital Projects and is integrated into the projects budget. This year the portion of benefits allocated to Capital Projects is 12%, a decrease of 1% from last year.

Chart #8 - Fiscal Year 2023-24 Benefits Allocation



## Debt Service

The District currently has four outstanding long-term debt obligations, the Red Mountain State Revolving Fund Loan (2011 SRF Loan), the 2021 Wastewater Refunding Revenue Bonds (2021 WWRRB), the Qualified Energy Conservation Revenue Bonds (2010 QECB) and the State Revolving Fund Loans (2018 SRF Loan). The 2011 SRF Loan funded the construction of a water treatment facility serving the Red Mountain Reservoir. The 2021 Wastewater Refunding Revenue Bonds (2021 WWRRB), which refunded a SRF Loan that funded the rehabilitation and modernization of the District’s Water Reclamation Plant. The 2010 QECB loan funded the District’s 1 MW solar facility. The 2018 SRF loan funded the District’s SMGTP. With construction completed and final amounts set, the 2018 SRF loan schedule is finalized. It should be noted that during construction only interest payments were due, however, now that the project is completed principal payments are beginning this year. Chart 9 shows the annual debt service payments are flat through 2027, and decrease thereafter.

The District successfully executed a public debt offering. With a rating from Standard and Poor’s of A+, the District debt was well received by investors and highlights the recent improvements to the District’s financial disclosure.

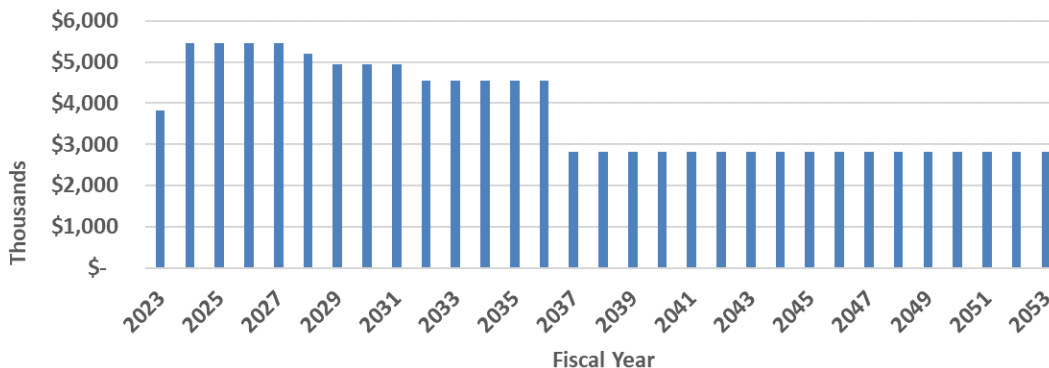
Each debt issuance is linked to the Service that it was used to fund. In some cases, the debt service can be allocated to more than one service. The table below shows the debt service payments for Fiscal Year 2023-24 and the amount allocated to each service.

**Table #22 - Debt Service Budget Summary**

Debt Issuance	Service			Total Debt Service
	Water	Wastewater	Recycled Water	
2018 SRF Loan	\$ 2,814,795	\$ -	\$ -	\$ 2,814,795
2011 SRF Loan	395,851	-	-	395,851
2021 WWRRB*	-	1,211,522	519,224	1,730,746
2010 QECB	-	521,690	-	521,690
<b>Total</b>	<b>\$ 3,210,646</b>	<b>\$ 1,733,212</b>	<b>\$ 519,224</b>	<b>\$ 5,463,081</b>

\* 70% is allocated to wastewater and 30% of the debt service is allocated to recycled water.

**Chart #9 - Annual Debt Service**



The table below shows the debt service payment schedule for each debt issuance. The debt service in Fiscal Year 2023-24 increases significantly because, as discussed previously full debt service payments for the 2018 SRF loan begin. The financial projections in this document include this debt service starting in Fiscal Year 2023-24.

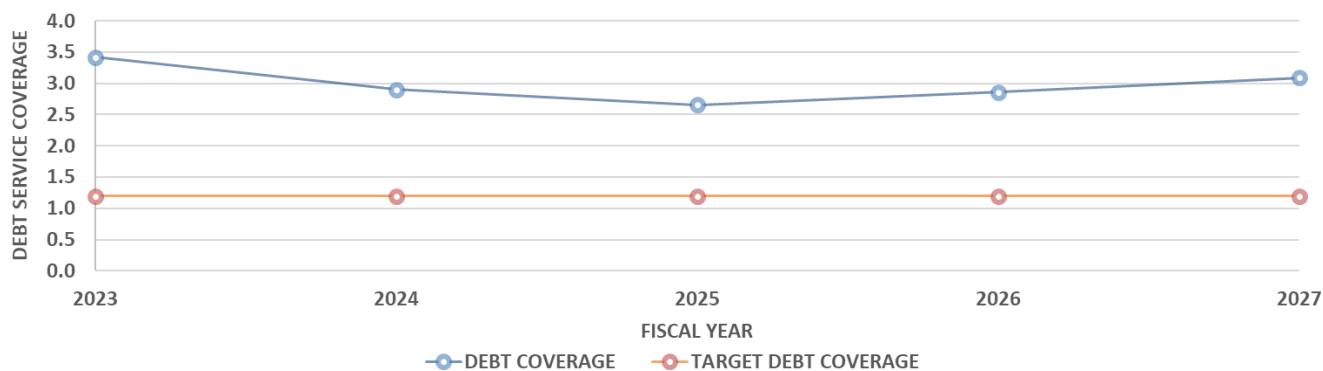
Table #23 - Fiscal Year 2023-24 Debt Service Schedule

Year Ending	Red Mountain State Revolving Fund Loan		Wastewater Revenue Refunding Bonds		QECPB* Loan		SMRCUP State Revolving Funds		District Annual Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2023	316,573	79,277	1,115,000	616,022	387,783	133,884	-	1,174,396	\$ 3,822,936
2024	324,764	71,087	1,120,000	610,746	410,388	111,302	1,600,373	1,214,422	\$ 5,463,081
2025	333,166	62,685	1,130,000	603,575	433,953	87,409	1,630,780	1,184,015	\$ 5,465,583
2026	341,786	54,065	1,145,000	584,934	458,515	62,150	1,661,765	1,153,030	\$ 5,461,244
2027	350,628	45,222	1,185,000	546,700	484,114	35,465	1,693,339	1,121,456	\$ 5,461,925
2028	359,700	36,151	1,230,000	498,400	254,219	7,296	1,725,512	1,089,283	\$ 5,200,561
2029	369,006	26,844	1,280,000	448,200	-	-	1,758,297	1,056,498	\$ 4,938,846
2030	378,553	17,297	1,335,000	395,900	-	-	1,791,704	1,023,091	\$ 4,941,546
2031	388,347	7,503	1,390,000	341,400	-	-	1,825,747	989,048	\$ 4,942,046
2032	-	-	1,445,000	284,700	-	-	1,860,436	954,359	\$ 4,544,495
2033	-	-	1,505,000	225,700	-	-	1,895,784	919,011	\$ 4,545,495
2034	-	-	1,565,000	164,300	-	-	1,931,804	882,991	\$ 4,544,095
2035	-	-	1,630,000	100,400	-	-	1,968,509	846,287	\$ 4,545,195
2036	-	-	1,695,000	33,900	-	-	2,005,910	808,885	\$ 4,543,695
2037	-	-	-	-	-	-	2,044,022	770,773	\$ 2,814,795
2038	-	-	-	-	-	-	2,082,859	731,936	\$ 2,814,795
2039	-	-	-	-	-	-	2,122,433	692,362	\$ 2,814,795
2040	-	-	-	-	-	-	2,162,759	652,036	\$ 2,814,795
2041	-	-	-	-	-	-	2,203,852	610,943	\$ 2,814,795
2042	-	-	-	-	-	-	2,245,725	569,070	\$ 2,814,795
2043	-	-	-	-	-	-	2,288,394	526,401	\$ 2,814,795
2044	-	-	-	-	-	-	2,331,873	482,922	\$ 2,814,795
2045	-	-	-	-	-	-	2,376,179	438,616	\$ 2,814,795
2046	-	-	-	-	-	-	2,421,326	393,469	\$ 2,814,795
2047	-	-	-	-	-	-	2,467,332	347,464	\$ 2,814,795
2048	-	-	-	-	-	-	2,514,211	300,584	\$ 2,814,795
2049	-	-	-	-	-	-	2,561,981	252,814	\$ 2,814,795
2050	-	-	-	-	-	-	2,610,658	204,137	\$ 2,814,795
2051	-	-	-	-	-	-	2,660,261	154,534	\$ 2,814,795
2052	-	-	-	-	-	-	2,710,806	103,989	\$ 2,814,795
2053	-	-	-	-	-	-	2,762,311	52,484	\$ 2,814,795

\*Qualified Energy Conservation Revenue Bonds. Debt service is not adjusted for interest rate subsidy payments.

While there is no established legal debt limit for the District, the District has an adopted Debt Management Policy. The Debt Management Policy creates the framework for issuing debt. The District’s debt service indentures require that the debt service coverage ratio be maintained at or above 1.2x. Chart 10 shows the projected debt service coverage above the target level of 1.2x. Currently the District has no subordinate debt outstanding.

Chart #10 - Debt Service Coverage Ratio



Santa Margarita Groundwater Treatment Plant

## Project Summary for Fiscal Year 2023-24

### District Capital Program

Utility districts require long-term investments in extensive capital facilities. The District maintains over 370 miles of buried water and sewer pipe that must be maintained and replaced. The District also has pump stations, lift stations and treatment facilities that require significant expenses to replace and maintain. Figure 1 summarizes the facilities owned and operated by the District. It is critical to develop plans to reduce the overall cost of operating these facilities by completing pro-active capital projects to replace and rehabilitate these assets versus waiting for system failures. A well-planned Capital Program is critical to the long-term stability of the District.

Figure #1 - Fallbrook District Facilities



The annual Capital Improvement Budget is used to implement the District’s long-range capital goals. These goals are developed using the District’s Strategic Plan, Urban Water Management Plan, Asset Management Plan and Master Plans. These plans are utilized to develop the lowest lifecycle cost to meet water and wastewater needs and maintain system reliability for the District’s customers. Projects are selected based on weighing prioritized needs versus available capital funds. Individual project costs are estimated based on current construction cost information. While some projects are well into the design phase and costs can be fairly accurately estimated, others are based on early stage planning estimates. Additionally, unforeseen changes to priorities can result from changing materials and construction costs, pipeline failures, extreme weather, etc.

For Fiscal Year 2022-23, Table 1 shows budget versus projected actual expenses for each capital project category. Water Capital expenses are projected to end under budget for various reasons, but primarily due to mainline replacement delays caused by longer than typical procurement times for materials, and emergency repairs pulling field staff from other planned work. Recycled system capital expenses are projected to be over budget as a result of additional mainline replacement costs. Wastewater capital expenses are projected to be close to plan. And lastly, administrative capital expenses are projected to finish slightly over plan.

### Capital Budget Project Summary for Fiscal Year 2023-24

The District has implemented a capital program to improve the overall reliability of the water, wastewater and recycled systems. The most significant component of the capital program is replacement of aging infrastructure. With the SMRCUP complete and online, the primary focus in the coming year will continue to be catching up on both installation and planning of water main replacements, collections system relining, needed reclamation plant equipment replacements and identifying potential expansions for the recycled water system. The key capital projects scheduled for Fiscal Year 2023-24 are summarized on the following pages.



### **Water Capital Projects**

District construction staff will continue with valve replacement projects to reduce outage impacts of breaks and failures. The District implemented an escalating capital improvement charge to ensure the District is meeting pipeline infrastructure replacement needs. Over the past 5 years, completed pipeline replacements have been very close to the current goal of 5,000 linear feet per year. However, due to challenges procuring materials since 2021, projects continue to take more time and advanced planning than in the past. In an effort to gain on and exceed replacement goals, additional pipeline replacement efforts are planned for the coming year. Last year, a single pipeline replacement package with approximately 9,500 linear feet of pipe of various sizes was awarded, but work has just begun in May. The majority of this work will be completed in the coming fiscal year. Staff are also working to design and award two separate pipeline replacement jobs with a total of approximately 14,000 linear feet of pipe to be completed over the next two years.

### **Wastewater/ Recycled Capital Projects**

As part of the long-term sewer system replacement plan, the focus will be on replacing and relining aging collection mains and manholes, and creek crossing replacements.

At the Water Reclamation Plant (WRP), aging mechanical equipment and security fencing will be replaced.

For the recycled water system, the system pump station will be rebuilt, while also continuing to plan and strategize for expanding service.



Table #1 - Capital Improvements Projects Summary Table

	Budget	Projected	FY 2022-23	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Water Capital Projects</b>										
Pipelines & Valve Replacement Projects by District	\$ 570,000	\$ 644,574	\$ 680,000	\$ 598,500	\$ 622,440	\$ 647,338	\$ 673,231	\$ 822,995		
Pipeline Replacement Projects by Contractors	4,543,350	2,662,018	5,760,000	4,928,344	3,739,067	4,060,056	4,771,673	4,962,540		
DeLuz ID Projects	100,000	261,950	100,000	105,000	109,200	113,568	118,111	122,835		
Pump Stations	300,000	56,562	100,000	1,123,500	54,600	56,784	59,055	61,418		
Meter Replacement	25,000	38,957	20,000	21,000	21,840	22,714	23,622	24,567		
Pressure Reducing Station Rehabilitation	65,000	37,144	40,000	21,000	-	-	-	-		
Red Mountain Reservoir Facility Improvements	175,000	11,155	24,000	236,250	54,600	56,784	118,111	61,418		
Steel Reservoir Improvements	60,000	20,826	162,000	577,500	873,600	738,192	767,720	921,264		
Santa Margarita Groundwater Treatment Plant	200,000	202,175	200,000	210,000	218,400	227,136	236,221	245,670		
SCADA and Security	90,000	67,121	150,000	136,500	141,960	147,638	177,166	184,253		
Vehicles and Heavy Equipment	-	118,940	143,500	267,893	521,430	346,382	481,301	638,743		
<b>Total PAYGO Water Capital Projects</b>	<b>\$ 6,128,350</b>	<b>\$ 4,121,422</b>	<b>\$ 7,379,500</b>	<b>\$ 8,225,487</b>	<b>\$ 6,357,137</b>	<b>\$ 6,416,592</b>	<b>\$ 7,426,212</b>	<b>\$ 8,045,702</b>		
<b>Recycled Water Capital Projects</b>										
Recycled Water Improvements	\$ 465,000	\$ 539,678	\$ 119,000	\$ 119,700	\$ 69,888	\$ 68,141	\$ 70,866	\$ 73,701		
<b>Total Recycled Water Capital Projects</b>	<b>\$ 465,000</b>	<b>\$ 539,678</b>	<b>\$ 119,000</b>	<b>\$ 119,700</b>	<b>\$ 69,888</b>	<b>\$ 68,141</b>	<b>\$ 70,866</b>	<b>\$ 73,701</b>		
<b>Wastewater Capital Projects</b>										
Water Reclamation Plant Improvements	\$ 281,000	\$ 211,833	\$ 855,000	\$ 315,000	\$ 436,800	\$ 738,192	\$ 767,720	\$ 491,341		
Collections System Projects	400,000	422,190	390,000	280,350	316,680	295,277	307,088	319,371		
Outfall Improvements	50,000	19,991	25,000	52,500	273,000	124,925	129,922	135,119		
Vehicles and Heavy Equipment	-	189,099	495,000	70,875	133,770	51,106	79,725	42,992		
<b>Total Wastewater Capital Projects</b>	<b>\$ 731,000</b>	<b>\$ 843,113</b>	<b>\$ 1,765,000</b>	<b>\$ 718,725</b>	<b>\$ 1,160,250</b>	<b>\$ 1,209,499</b>	<b>\$ 1,284,454</b>	<b>\$ 988,823</b>		
<b>Administrative Capital Projects</b>										
Administrative Upgrades	\$ 105,000	\$ 85,131	\$ 50,000	\$ 26,250	\$ 464,100	\$ 28,392	\$ 29,528	\$ 30,709		
Engineering & Operations Information Systems	30,000	31,786	-	5,250	32,760	34,070	35,433	36,851		
Facility Improvements/Upgrades/Security	410,000	421,849	496,000	68,250	70,980	255,528	76,772	30,709		
District Yard Improvements	-	-	420,000	52,500	-	56,784	-	61,418		
Vehicles and Heavy Equipment*	255,000	-	-	-	-	-	-	-		
<b>Total Administrative Capital Projects</b>	<b>\$ 800,000</b>	<b>\$ 538,766</b>	<b>\$ 966,000</b>	<b>\$ 152,250</b>	<b>\$ 567,840</b>	<b>\$ 374,774</b>	<b>\$ 141,733</b>	<b>\$ 159,686</b>		
<b>Total Capital Budget Projects</b>	<b>\$ 8,124,350</b>	<b>\$ 6,042,979</b>	<b>\$ 10,229,500</b>	<b>\$ 9,216,162</b>	<b>\$ 8,155,115</b>	<b>\$ 8,069,006</b>	<b>\$ 8,923,265</b>	<b>\$ 9,267,912</b>		

\* Vehicles and Heavy Equipment were originally budgeted in Administrative Capital Projects, but starting with the FY 23 projections are budgeted in the corresponding water/wastewater category.

**Capital Expenditure Carry-Over**

As mentioned in the Water Capital Projects summary, additional pipeline replacement efforts are planned for the coming year to continue to catch up with long term goals. The unused portion of the planned budget, currently estimated to be approximately \$2,000,000, will be carried over to the coming year’s budget to enable funding additional pipeline replacement efforts. The Pipeline replacement lines on Table 1 reflect this carry-over into Fiscal Year 2023-24.

**Table #2 - Capital Expenditure Carry-Over Summary Table**

<b>Project</b>	<b>FY 2022-23 Budget</b>	<b>FY 2022-23 Projected Actual</b>	<b>FY 2022-23 Carry-Over</b>	<b>FY 2023-24 Revised Budget*</b>
Pipeline Replacements Projects by Contractors	\$ 4,543,350	\$ 2,662,018	\$ 1,881,332	\$ 5,760,000

\*Includes FY 2022-23 carry-over

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## Pipeline and Valve Replacement Projects by District

### Project Description:

Projects include replacing existing valves and pipelines by District staff based on identified priority areas to reduce service interruptions. The primary focus is on valve replacements with a target of replacing 100 valves per year.

The proposed purchases and costs for Fiscal Year 2023-24 also include:

- Valve Replacement Program – Goal to replace 100 valves. Well-functioning isolation valves are critical to minimize the number of customers impacted during planned or unplanned shutdowns.
- Miscellaneous Pipeline Replacements–Small segments of mainline identified as needing repaired/replaced throughout the year.
- Mainline Leak Detection Survey – Survey of selected segments of water main to identify existing small leaks to help prioritize the pipeline replacement program.
- Fire Hydrant Replacements – New program to replace fire hydrants in poor condition.
- Easement Rehabilitation – Restoration of easement roads to maintain access to District pipelines and facilities.



Valves Replaced by Year	
Year	Quantity
FY 2017-18	112
FY 2018-19	57
FY 2019-20	89
FY 2020-21	82
FY 2021-22	73
FY 2022-23	73 (as of 5/1/23)
FY 2023-24	100 (Target)

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

The valve replacement program is critical in reducing the number of accounts effected by planned shutdowns and unplanned water outages. District pipeline and valve replacement projects do not require any additional operating budget funds, and are expected to reduce emergency repair costs.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Valve Replacement Program	Continuous Replacement Program	\$ 430,000
Miscellaneous Pipeline Replacements	Continuous Replacement Program	\$ 150,000
Mainline Leak Detection	Continuous Detection Program	\$ 20,000
Fire Hydrant Replacements	Continuous Replacement Program	\$ 30,000
Easement Rehabilitation	Continuous Rehabilitation Program	\$ 50,000
<b>Total</b>		<b>\$ 680,000</b>



## Pipeline Replacement Projects by Contractors

### Project Description:

Significant pipeline replacement projects installed by contractors. Projects are prioritized based on the pipeline asset risk assessment model to minimize pipeline failures and unplanned service outages. Specific projects planned for Fiscal Year 2023-24 include:



- FY22-23 Pipeline Replacement Package – Approximately 9,500 linear feet of main line replacements on various streets. Pipe diameters range from 6-inches to 12-inches. Project was awarded in July 2022 and field work began in May 2023. The majority of this work will be completed in the summer and fall of 2023.
- Via Arroyo/Alta Vista Pipeline Replacement – 5,500 linear feet of 12-inch water main. The original installation date of the existing cement lined iron pipe is unknown, but it was relined in 1968. There have been multiple breaks over the past year and the pipe is in poor condition. This project will be awarded in the summer of 2023 and expected to be completed by fall 2024.
- Downtown Primary Pipeline Replacement – 9,000 linear feet of main line replacements on various streets. Pipe diameters range from 6-inches to 12-inches. The existing pipe was installed in the 1950s and has had multiple breaks over the past year. This project will be awarded in the fall of 2023 and expected to be completed by spring of 2025.

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

These projects will reduce the cost of leak repair and potential property damage due to pipe failure, but do not require additional operating funds long term.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
FY23-24 Pipeline Replacements	\$ 4,043,350	\$ 3,000,000
Via Arroyo/Alta Vista Pipeline Replacement	\$ 2,700,000	\$ 1,750,000
Downtown Primary Pipeline Replacement	\$ 4,050,000	\$ 1,010,000
<b>Total</b>		<b>\$ 5,760,000</b>



## DeLuz ID Projects

### Project Description:

Capital Projects in the DeLuz Improvement District using Deluz Improvement District Funds. Projects include pipeline extension to specified parcels per adopted policy and replacement of existing infrastructure. Projects for Fiscal Year 2023-24 include:

- De Luz Area Pump and Valve Replacements



### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

The replaced pumps and valves at existing pump stations will improve water reliability by maintaining expected levels of service in the Deluz service area. The project will have a negligible impact on operation costs.

### Project Budget:

Project	Total Project Budget	FY 2023-24 Budget
DeLuz Area Pump and Valve Replacements	\$ 100,000	\$ 100,000
<b>Total</b>		<b>\$ 100,000</b>





## Pump Stations

### Project Description:

The District has 6 pump stations that deliver water to higher elevation areas. In Fiscal Year 2023-24, the following Pump Station projects are planned



- Toyon Pump Station Replacement Final Design – This pump station has been scheduled for replacement for some time now, but has been deferred due to other capital priorities and new planning complexities introduced by details of the SMRCUP and potential change of imported water supplier. The design will be finalized, but construction is not planned until more details of the imported water supply are known. The pump station serves 63 accounts in the Toyon Service Area above Red Mountain Reservoir. The existing facility, built in 1982, is housed in a wood structure adjacent to the narrow Toyon Heights Road and is in poor condition. The new station will be constructed at the Red Mountain site, near the UV Plant, making it easier for operators to access and away from public right-of-way. The project will include new pumps, improved SCADA capabilities, and approximately 550 linear feet of new 8-inch water main to connect it to the Toyon Service Area.
- De Luz Pump Station – In order to deliver SMRCUP water to the De Luz Service Area, additional pumping capabilities will be needed. The new pump station will be constructed with the Toyon Pump Station. Similarly, the design will be finalized, but construction is not planned until the long term imported water supplier situation is understood.
- Miscellaneous Pump Motor Rebuilds – The pumps at other existing pump station sites are exceeding their intended useful service time and will be needing rebuilt motors. The most critical pumps will be prioritized, with the expectation of rebuilding two to three pumps at various pump stations.

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

These projects will reduce operations and maintenance cost for the facilities by replacing the equipment that is at the end of its useful life. There will be additional SCADA controls added to help with remote operation and troubleshooting. The projects will improve water service reliability in their respective service areas.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Toyon Pump Station Replacement	\$ 515,000	\$ 25,000
DeLuz Pump Station	\$ 515,000	\$ 25,000
Miscellaneous Pump Replacements	Ongoing	\$ 50,000
<b>Total</b>		<b>\$ 100,000</b>



## Meter Replacement Program

### Project Description:

The Meter Replacement Program that was started in 2015 has been completed. The program replaced over 9,000 existing Automatic Meter Reading (AMR) meters with Advanced Metering Infrastructure (AMI) meters, which are able to provide real time data collection and alerts. New meters typically have a service life of 15 to 20 years, but some regular replacements will be necessary to keep all meters in working order. A small budget will be set aside on an ongoing basis for this purpose.

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

This project ensures accurate billing of water use and reduces labor for reading meter by providing remote radio readings.

### Project Budget:

Project	Total Project Budget	FY 2023-24 Budget
Meter Replacement Program	Ongoing Replacement Program	\$ 20,000
<b>Total</b>		<b>\$ 20,000</b>



## Pressure Reducing Station Rehabilitation

### Project Description:

Routine improvements and replacements of the District’s pressure reducing stations are needed to maintain reliable service. Projects planned for FY23-24 include replacing the isolation valves at the Kaufman PRV. The valves have exceeded their useful life and are no longer holding water.

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

This project will reduce operations and maintenance cost for the facility by replacing the equipment that is at the end of its useful life.



### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Kaufman Isolation Valves	\$ 40,000	\$ 40,000
<b>Total</b>		<b>\$ 40,000</b>



## Red Mountain Reservoir Facility Improvements

### Project Description:

Replacement and rehabilitation of equipment and facilities at the Red Mountain Site, including the reservoir and UV plant. Projects for Fiscal Year 2023-24 include:

- Site Pavement Seal – A pavement seal will be performed to prolong the useful life of the pavement at the facility.



### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

Maintaining the site pavement will improve site access and operational efficiency.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Red Mountain Pavement Seal	\$ 24,000	\$ 24,000
<b>Total</b>		<b>\$ 24,000</b>



## Steel Reservoir Improvements

### Project Description:

Each existing reservoir has been recoated within the last ten years, protecting the existing reservoirs from corrosion and extending their useful life. The coatings typically last 10 to 15 years, so no recoating projects are anticipated for the next few years. Other projects planned in Fiscal Year 2023-24 include:



- Cathodic Protection Replacements – The steel reservoirs use sacrificial anodes to further prevent corrosion. The anodes are replaced regularly based on assessed condition at each tank.
- Rattlesnake Tank Site Improvement Planning – The tank site is in need of rehabilitation. Alternatives will be developed to select the best path forward for this reservoir.
- 8MG Tank Mixer Phase 1 – A new mixer will be added to improve water quality in the De Luz area.
- 2.8MG Tank Security Fence – Additional security fencing will be installed around the tank site.

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

The projects will ensure the long-term integrity of these water supply tanks. There are no additional operating costs expected. The operating costs for the mixer at the 8MG Tank are expected to be lower than costs for the current operators time.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Rattlesnake Tank Site Development	\$ 50,000	\$ 50,000
Cathodic Protection Repair	Ongoing Replacement Program	\$ 15,000
8 MG Tank Mixer Phase 1	\$ 27,000	\$ 27,000
2.8 MG Tank Security Fence	\$ 70,000	\$ 70,000
<b>Total</b>		<b>\$ 162,000</b>



## Santa Margarita Groundwater Treatment Plant

### Project Description:

Construction of the Santa Margarita Groundwater Treatment Plant (SMGTP) was completed in FY21-22. The plant treats water delivered by Camp Pendleton per the executed settlement agreement of US v. FPUD. On average, it is expected to provide 3,100 acre-feet per year of local water. Each year’s actual quantity is determined by hydrologic conditions in the river basin. This year the project is expected to yield 4,523 acre-feet.



With the construction complete, the plant will require routine equipment replacements and improvements. Capital Budget funds have been allocated for that purpose.

### Supports Strategic Goals:

Provide a reliable, cost effective water supply through implementation of local water supply projects.

### Operating Impacts:

The project will provide on average about 40% of the District water needs and will help mitigate against future imported water cost increases. Without the project, the District would continue to rely on SDCWA for 99% of District potable water needs. The new facilities will result in significant additional operating costs, but the overall impact to the operating budget is more than offset by reduced expenditures on lower quantities of imported water.

### Project Budget:

Project	Total Project Budget	FY 2023-24 Budget
Plant Improvements	Continuous Program	\$ 200,000
<b>Total</b>		<b>\$ 200,000</b>

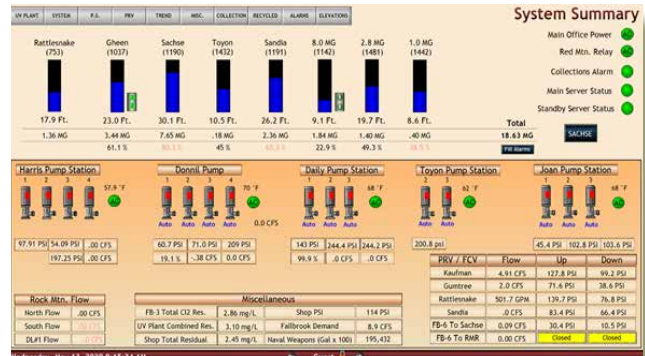


## SCADA and Security

### Project Description:

SCADA and security upgrades protect the District’s facilities and enable improved remote operations and controls. Projects for Fiscal Year 2023-24 include:

- SCADA Upgrades – Replacement of outdated equipment with newer technology increases remote capabilities. The focus will be on replacing outdated RTUs and backup power with batteries or solar at more communications sites.



### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

Reduces long-term operating costs of the system by improving ability to address and monitor system conditions remotely.

### Project Budget:

Project	Total Project Budget	FY 2023-24 Budget
SCADA Upgrades	Ongoing Replacement Program	\$ 150,000
<b>Total</b>		<b>\$ 150,000</b>



## Recycled Water Improvements

### Project Description:

The recycled system delivers water that has been treated to Title 22 tertiary standards for outdoor use. Projects for Fiscal Year 2023-24 include:

- Recycled Water Pumps Rebuild – the primary pumps have exceeded their recommended run time and will be rebuilt to maintain reliable service.
- Distribution SCADA Improvements



### Supports Strategic Goals:

Provide a reliable, cost effective water supply through implementation of local water supply projects.

### Operating Impacts:

There is no impact to the operating budget.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Recycled Water Pumps Rebuild	\$ 100,000	\$ 100,000
Distribution SCADA Improvements	Continuous Improvement Program	\$ 19,000
<b>Total</b>		<b>\$ 119,000</b>





## Water Reclamation Plant Improvements

### Project Description:

On-going repair and replacement of key components of the Water Reclamation Plant (WRP) are critical to maintaining this critical facility. The projects for Fiscal Year 2023-24 include:



- Capital Equipment Replacements – Several pieces of mechanical equipment have exceeded their useful life and are in need of replacement. These include air vacuum release valves, pumps, sludge drying system, scrubber replacement, decanter piping improvements, etc.
- Pavement Replacement – Some additional pavement around the plant site will be resealed or replaced.
- Concrete Repair – The concrete wall of the headworks structure is leaking and will be repaired and recoated.
- Arc Flash Project – Safety improvements for electrical equipment.
- Security Fence – Replace security fence along the creek.
- Storm Water Basins – Continued improvements to the storm water basins around the property.

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

On-going replacement of equipment will ensure long-term reliability of the facility. The projects will not have any impact on operation costs.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Capital Equipment Replacements	Continuous Replacement Program	\$ 525,000
Pavement Replacement	\$ 18,000	\$ 18,000
Concrete Repair	\$ 30,000	\$ 30,000
Arc Flash Project	\$ 162,000	\$ 162,000
Security Fence	\$ 70,000	\$ 70,000
Storm Water Improvements	\$ 50,000	\$ 50,000
<b>Total</b>		<b>\$ 855,000</b>



## Collections System Projects

### Project Description:

Projects include replacements and major repairs to existing sewer infrastructure.

The proposed projects for Fiscal Year 2023-24 include:

- Mainline Replacement and Relining – Approximately 2,000 linear feet of sewer main line will be replaced or relined to like-new condition.
- Creek and Culvert Crossing Replacement – Replace aging main lines crossing creeks to preemptively prevent any spills into sensitive habitat.
- Shady Lane Lift Station – Completion of electrical and controls upgrades of Shady Lane Lift Station.
- SCADA & Controls Upgrades – General improvements to the communications and controls network for the collections system.



### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

The collection systems capital program is critical in reducing the number of spills and potential fines. The planned projects do not require any additional operating budget funds, and are expected to reduce emergency repair costs.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Mainline Replacement & Relining	\$ 170,000	\$ 170,000
Creek and Culvert Crossing Replacement	\$ 150,000	\$ 150,000
Shady Lane Lift Station	\$ 50,000	\$ 50,000
SCADA & Controls Upgrades	Ongoing Program	\$ 20,000
<b>Total</b>		<b>\$ 390,000</b>



## Outfall Improvements

### Project Description:

The project includes replacement of air/vac valves, drain valves, and connecting piping on the outfall. Replacement of these items is critical to preventing overflows and spills.



### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

On-going replacement of the items is critical to preventing spills and back-ups in the outfall. This project will reduce the cost of emergency repairs and maintenance, but does not require additional operating funds long term.

### Project Budget:

Project	Total Project Budget	FY 2023-24 Budget
Outfall Improvements	Ongoing Improvement Program	\$ 25,000
<b>Total</b>		<b>\$ 25,000</b>



## Facility Improvements/Upgrades/Security

### Project Description:

The project includes capital projects for administration facilities, including staff offices, shop, and warehouse facilities to help maintain efficient operation of the District, as well as network and server improvements for the main office.



The projects include the following:

- EV Charging Facility – Installation of EV Charging capabilities for future electric fleet vehicles. This is part of a state required program to transition the fleet to electric vehicles. 80% of the cost will be reimbursed by grant funds, so the anticipated net cost to the District is \$84,000.
- Upgrade Network/Server Room – Additional replacement of servers for improved network speed and security.
- Facility Renovations – Continued renovation of the yard restroom facilities, door replacements, and electrical safety improvements in the yard offices.
- Board Room Audio/Visual Upgrades – Replacement of the audio/visual system in the boardroom.
- Building Roof Replacement – Complete replacement of main office roof. The roof has had multiple leaks and has exceeded its intended useful life.

### Supports Strategic Goals:

Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

### Operating Impacts:

On-going investments in administrative facilities and systems is critical to maintain overall reliable and efficient operation.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
EV Charging Facility	\$ 420,000	\$ 420,000
Upgrade Network/Server Room	\$ 50,000	\$ 50,000
Minor Rehabilitation and Office Furniture	Ongoing Rehabilitation	\$ 15,000
General Office Improvements	Ongoing Rehabilitation	\$ 45,000
Board Room Audio/Visual Upgrades	\$ 36,000	\$ 36,000
Building Roof Repair	\$ 400,000	\$ 400,000
<b>Total</b>		<b>\$ 966,000</b>



## Vehicles and Heavy Equipment

### Project Description:

The fleet consists of a combination of light duty vehicles, heavy equipment, and trailers. In addition, the department maintains the District’s refueling station, generators, and various hydraulic and gas powered tools.

During Fiscal Year 2020-21, the department updated its methodology for fleet replacement in combination with a new software program to better track how much is spent on each vehicle.



### Supports Strategic Goals:

By reviewing various data points using the new software, staff can ensure ratepayers that funds are being spent prudently on vehicle replacements and repairs. This new method of evaluation helps guarantee an extremely reliable fleet. In turn, the fleet allows field operations to respond quickly to leaks, new installations, and infrastructure operations and maintenance.

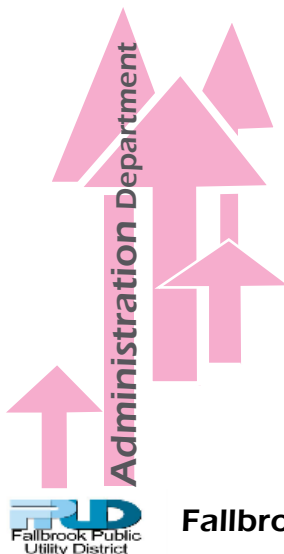
### Operating Impacts:

Detailed documentation of repairs and inspections will allow the District to make better informed decisions about true needs. Long-term, this will lead to cost reduction as it will enable staff to focus on problematic vehicles and replace them while keeping reliable vehicles for an extended period of time.

### Projects Budgets:

Project	Total Project Budget	FY 2023-24 Budget
Fleet Vehicles	Ongoing Replacement Program	\$ 135,000
Vactor Truck	\$ 450,000	\$ 450,000
Miscellaneous Equipment	\$ 53,500	\$ 53,500
<b>Total</b>		<b>\$ 638,500*</b>

\*\$495,000 will be from wastewater capital and the remaining \$143,500 will be from water capital funds.



**Accrual Basis of Accounting** - The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements.

**ACFR** - Annual Comprehensive Financial Report

**Acre-Foot (AF)** - A unit of measure equivalent to 325,851 gallons of water.

**AG** - Agricultural Customers

**AMI** - Advanced Meter Infrastructure

**AMR** - Automatic Meter Reading

**Appropriation** - An amount of money in the budget authorized by the Board of Directors for expenditure or obligation within organizational units for specific purposes.

**Assessed Valuation** - An official government value placed upon real estate or other property as a basis for levying taxes.

**Assets** - Resources owned or held which have monetary and economic value.

**AWIA** - America's Water Infrastructure Act of 2018.

**Bay-Delta** - Refers to an environmentally sensitive area of Sacramento/San Joaquin Rivers Delta through which State Water Project water must flow to reach Southern California and other areas.

**Budget** - A balanced financial plan for a given period of time, which includes expenditures and revenues funded through various funds. The budget serves as a financial plan as well as a policy guide, an operations guide and a communications medium.

**CalPERS** - California Public Employee Retirement System

**Capital Equipment** - Fixed assets such as vehicles, computers, furniture and technical instruments which have a life expectancy of more than three years and a value over five thousand dollars.

**Capital Improvement Program (CIP)** - A long-range plan for the construction, rehabilitation and modernization of the District-owned and operated infrastructure and assets.

**Capital Outlay** - Expenditures which result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery and equipment. Most equipment or machinery is included in the Capital Budget. Capital improvements such as acquisition of land, construction and engineering expenses are included in the Capital Budget.

**Cash Management** - A conscious effort to manage cash so that interest and penalties paid are minimized and interest earned is maximized. Funds received are deposited on the day of receipt and invested as soon as the funds are available. The District maximizes the return on all funds available for investment without sacrifice of safety.

**CBP** - Community Benefit Program



**CEQA** - California Environmental Quality Act

**CFS** - Cubic Feet per Second

**CMMS** - Computerized Maintenance Management System

**CSMFO** – California Society of Municipal Finance Officers

**Days Cash on Hand** – Calculation using total operating expense including debt and water supply costs, less depreciation divided by 365 days of the year to give you the daily cash operating expenses. The cash equivalents will be divided by the daily cash operating expenses to give you the days cash on hand.

**Debt Service** - The current year portion of interest costs and current year principal payments incurred on long-term debt issued by the District.

**Disbursements** - Payments made on obligations.

**District Services** - The District's main cost centers are broken into Services, which include Administrative, Water, Recycled Water and Wastewater.

**Division** - Part of the District's organizational structure that performs a specific service or function.

**DSCR** - Debt Service Coverage Ratio

**DWR** - California Department of Water Resources

**Each Parcel of Land** - Shall mean each parcel of land assigned a parcel number by the San Diego County Assessor.

**EAM** - Enterprise Asset Management

**EIR/EIS** - Environmental Impact Report/Environmental Impact Statement

**EMWD** - Eastern Municipal Water District

**EPA** - Environmental Protection Agency

**ERP** - An Enterprise Resource Planning information management system integrate areas such as planning, purchasing, inventory, billing, customer accounts and human resources.

**EUM** - Effective Utility Management

**Expenditure** - An amount of money disbursed or obligated. Expenditures include current operating disbursements requiring the present or future use of net current assets, debt service and capital improvements.

**FCF** - Flow Control Facility

**Fiscal Year (FY)** - The timeframe in which the budget applies. This is the period from July 1 through June 30.

**Fixed Assets** - Long-term tangible assets that have a normal use expectancy of more than three years and do not lose their individual identity through use. Fixed assets include buildings, equipment and improvements other than buildings and land.

**FPUD** - Fallbrook Public Utility District

**FTE** - Full Time Equivalent

**Generally Accepted Accounting Principles (GAAP)** - Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative statement on the application of GAAP to state and local governments is Government Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements. GAAP provides a standard by which to measure financial presentations.

**GFOA** - Government Financial Officers Association

**GIS** - Geographic Information System. An organized collection of computer hardware, software and geographic data designed to efficiently capture, store, update, manipulate, analyze and display all forms of geographically referenced information.

**GPS** - Global Positioning System

**HCF** - Hundred Cubic Feet

**IAC** - Infrastructure Access Charge

**IAWP** - Interim Agricultural Water Program

**IID** - Imperial Irrigation District

**IPR** - Indirect Potable Reuse project

**IRWM** - Integrated Regional Water Management Program

**KPI** - Key Performance Indicator

**LAFCO** - Local Agency Formation Commission

**Leases and Rentals** - This includes costs to rent equipment, copy machines, temporary easements and other items.

**LRP** - MWD's Local Resource Program

**LWSD** - SDCWA's Local Water Supply Development, which provides funds to support local supply development.

**M&I** - Municipal and Industrial  
**88**



**Master Plan** - Regional Water Facilities Master Plan

**ME** - Meter Equivalent

**MG** - Million Gallon

**MGD** - Million Gallons per Day

**MOU** - Memorandum of Understanding

**MW** - Megawatt

**MWD** - Metropolitan Water District of Southern California

**Non-Labor Expenditures** - This includes professional services, services and other operating expenditure like materials, supplies and equipment but excludes the cost of water.

**NPDES** - National Pollutant Discharge Elimination System

**OPEB** - Other Post-Employment Benefits, which includes the District's retiree health care obligation.

**Operating Budget** - The normal, ongoing operating costs incurred to operate the District.

**OTLS** - Overland Trail Lift Station

**PARS** - Public Agency Retirement Services

**PAYGO** - Pay-as-you-go capital funding uses cash and reserves to fund Capital Outlays. .

**PEPRA** - Public Employees' Pension Reform Act.

**Professional Services** - The normal, ongoing operating costs incurred to operate the District that are procured from companies outside of the District. Examples include legal, auditing, appraisals, engineering, drafting and design.

**PRV**- Pressure Reducing Valve

**Purchased Water Costs**- These are the costs of the District's wholesale water purchases from SDCWA.

**QECB** - Qualified Energy Conservation Revenue Bond

**Reliability** - Consistently providing a water supply that adequately supports the regional economy.

**Revenue** - Income generated by taxes, notes, bonds, investment income, land rental and user charges.

**ROW** - Right of Way

**RSF** - Rate Stabilization Fund

**RTS** - Readiness to Service charge

**S&P** - Standard and Poor's rating services

**Salary** - This is the cost of labor for 2,080 hours a year and does not include any employee benefits.

**SANDAG** - San Diego Association of Governments

**SAWR** - Transitional Special Agricultural Water Rate

**SCADA** - Supervisory Control and Data Acquisition

**SD** - San Diego

**SDCWA** - San Diego County Water Authority

**Services** - The normal, ongoing operating costs incurred to operate the District that are procured from companies outside of the District. Examples include repair, maintenance, custodial and security.

**SMGTP** - Santa Margarita Groundwater Treatment Plant

**SMRCUP** - Santa Margarita River Conjunctive Use Project

**SMR** - Santa Margarita River water

**SpringBrook** - The District's ERP.

**SR** - State Route

**SRF** - State Revolving Fund

**Sundry/Other Revenues** – This includes disposal of assets and other miscellaneous revenues.

**Total Capital Budget** - The total budget requests for construction projects and associated expenses and equipment.

**Total District Budget** - The sum of the total Operating Budget, Debt Service, Cost of water and Capital Budget.

**Treated Water** - Water delivered to member agencies which has been treated by coagulation, sedimentation, filtration and chlorination.

**Unfunded Actuarial Accrued Liability** - The unfunded actuarial accrued liability (UAAL) is the difference between the value of benefits earned by employees and the value of assets held in the pension plan.

**Utilities** - This includes gas, electricity, water, and sewer.

**UV** - Ultraviolet

**UWMP** - Urban Water Management Plan

**Water Supply Costs** - Comprised of Purchased Water Costs and pumping costs.

**WRP** - Water Reclamation Plant

Table #1 - Fallbrook Public Utility District's Enterprise Projections

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Revenues</b>					
<b>Revenue from Rates</b>					
Water	\$ 24,579,212	\$ 27,603,306	\$ 29,453,472	\$ 31,411,174	\$ 33,492,715
Recycled Water	1,267,442	1,299,770	1,331,501	1,364,396	1,398,435
Wastewater	6,820,069	6,971,339	7,285,954	7,604,301	7,926,443
<b>Subtotal Revenue from Rates</b>	<b>\$ 32,666,723</b>	<b>\$ 35,874,415</b>	<b>\$ 38,070,927</b>	<b>\$ 40,379,871</b>	<b>\$ 42,817,593</b>
<b>Other Operating Revenue</b>					
<b>Pass-through Charges</b>					
MWD RTS Charge*	\$ 130,039	\$ -	\$ -	\$ -	\$ -
SDCWA IAC Charge	603,768	608,142	635,035	679,487	727,051
Pumping Charge	100,000	100,000	100,000	100,000	100,000
Backflow Charge	200,000	200,000	200,000	200,000	200,000
Sundry	101,000	75,000	75,000	75,000	75,000
MWD/CWA Incentive	-	-	-	-	-
<b>Subtotal Other Operating Revenues</b>	<b>\$ 1,134,807</b>	<b>\$ 983,142</b>	<b>\$ 1,010,035</b>	<b>\$ 1,054,487</b>	<b>\$ 1,102,051</b>
<b>Non-Operating Revenue</b>					
Water Availability Charge	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax	2,417,248	2,700,000	2,710,462	2,731,833	2,753,692
Investment Earnings	122,819	400,923	306,318	289,233	308,975
Water CIP Charge	1,581,828	1,740,011	1,879,211	2,010,756	2,151,509
Pumping Capital Improvement Charge*	6,760	-	-	-	-
Facility Rent/Lease Revenue	306,261	312,386	318,634	325,007	331,507
Gain/Loss on Sale of Assets/SDCWA Refund	178,749	-	-	-	-
Grant Funds	569,957	-	-	-	-
Water Capacity Fees	105,000	85,000	85,128	85,255	85,383
Wastewater CIP Charge	1,244,630	1,328,198	1,394,608	1,450,392	1,508,408
Wastewater Capacity Fees	70,000	45,000	45,068	45,135	45,203
Federal Interest Rate Subsidy	84,516	70,261	55,178	39,233	22,388
<b>Subtotal Non-Operating Revenue</b>	<b>\$ 6,887,767</b>	<b>\$ 6,881,779</b>	<b>\$ 6,994,606</b>	<b>\$ 7,176,844</b>	<b>\$ 7,407,064</b>
<b>Total Revenues</b>	<b>\$ 40,689,298</b>	<b>\$ 43,739,336</b>	<b>\$ 46,075,567</b>	<b>\$ 48,611,203</b>	<b>\$ 51,326,709</b>
<b>Operating Expenses</b>					
<b>Water Supply Costs</b>					
SDCWA Purchased Water Costs	\$ 11,167,836	\$ 8,338,813	\$ 11,291,860	\$ 11,942,963	\$ 12,587,418
SMRCUP Supply Costs	612,878	1,219,265	871,128	905,973	942,212
<b>Subtotal Water Supply Costs</b>	<b>\$ 11,780,714</b>	<b>\$ 9,558,078</b>	<b>\$ 12,162,988</b>	<b>\$ 12,848,937</b>	<b>\$ 13,529,630</b>
Labor Costs	3,763,190	3,865,068	4,111,115	4,313,962	4,526,844
Fringe Benefits	2,242,015	2,497,331	2,634,684	2,766,418	2,904,739
Services, Materials & Supplies	3,121,475	3,997,356	4,178,547	4,348,440	4,525,266
Allocated Admin Expenses	7,268,608	7,934,072	8,291,105	8,622,750	8,967,660
Community Benefit Program	35,452	546,000	546,000	546,000	546,000
<b>Total Operating Expenses</b>	<b>\$ 28,211,454</b>	<b>\$ 28,397,906</b>	<b>\$ 31,924,439</b>	<b>\$ 33,446,507</b>	<b>\$ 35,000,139</b>
<b>Net Operating Revenues</b>	<b>\$ 12,477,844</b>	<b>\$ 15,341,430</b>	<b>\$ 14,151,128</b>	<b>\$ 15,164,696</b>	<b>\$ 16,326,569</b>
<b>Debt Service</b>					
<b>Total Debt Service</b>	<b>\$ 3,822,936</b>	<b>\$ 5,463,081</b>	<b>\$ 5,465,583</b>	<b>\$ 5,461,244</b>	<b>\$ 5,461,925</b>
<b>Capital Expenditures</b>					
<b>Total Capital Expenditures</b>	<b>\$ 6,042,979</b>	<b>\$ 10,229,500</b>	<b>\$ 9,216,162</b>	<b>\$ 8,155,115</b>	<b>\$ 8,069,006</b>
<b>Total Expenditures</b>	<b>\$ 38,077,369</b>	<b>\$ 44,090,487</b>	<b>\$ 46,606,184</b>	<b>\$ 47,062,866</b>	<b>\$ 48,531,070</b>
<b>Change in Net Position</b>	<b>\$ 2,611,929</b>	<b>\$ (351,151)</b>	<b>\$ (530,616)</b>	<b>\$ 1,548,337</b>	<b>\$ 2,795,639</b>
Beginning Balances	\$ 20,469,853	\$ 23,081,782	\$ 22,730,631	\$ 22,200,015	\$ 23,748,352
Ending Balances	\$ 23,081,782	\$ 22,730,631	\$ 22,200,015	\$ 23,748,352	\$ 26,543,990

\* Starting in FY 2023-2024, the RTS is not treated as a pass-through and the Pumping Capital Improvement Charge is discontinued.

Table #2 - Fallbrook Public Utility District's Water Projections

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Revenues</b>					
<b>Revenues from Rates</b>					
Revenues from Current Rates	\$ 24,579,212	\$ 26,735,775	\$ 26,789,250	\$ 26,829,434	\$ 26,869,678
Proposed Revenue Adjustments	-	867,531	2,664,222	4,581,740	6,623,037
<b>Subtotal Operating Revenues</b>	<b>\$ 24,579,212</b>	<b>\$ 27,603,306</b>	<b>\$ 29,453,472</b>	<b>\$ 31,411,174</b>	<b>\$ 33,492,715</b>
<b>Other Operating Revenues</b>					
<b>Pass-through Charges</b>					
MWD RTS Charge*	\$ 130,039	\$ -	\$ -	\$ -	\$ -
SDCWD IAC Charge	603,768	608,142	635,035	679,487	727,051
Pumping Charge	100,000	100,000	100,000	100,000	100,000
Backflow Charge	200,000	200,000	200,000	200,000	200,000
Sundry	84,000	60,000	60,000	60,000	60,000
<b>Subtotal Other Operating Revenues</b>	<b>\$ 1,117,807</b>	<b>\$ 968,142</b>	<b>\$ 995,035</b>	<b>\$ 1,039,487</b>	<b>\$ 1,087,051</b>
<b>Non-Operating Revenue</b>					
Water Availability Charge	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
1% Property Tax **	711,681	854,000	862,540	871,165	879,877
Investment Earnings	108,413	381,762	287,754	270,485	289,260
Water Capital Improvement Charge	1,581,828	1,740,011	1,879,211	2,010,756	2,151,509
Pumping Capital Improvement Charge*	6,760	-	-	-	-
Other Revenue	306,261	312,386	318,634	325,007	331,507
Gain/Loss on Sale of Assets/SDCWA Refund	178,749	-	-	-	-
Water Capacity Fees	105,000	85,000	85,128	85,255	85,383
<b>Subtotal Non-Operating Rev</b>	<b>\$ 3,198,691</b>	<b>\$ 3,573,159</b>	<b>\$ 3,633,267</b>	<b>\$ 3,762,668</b>	<b>\$ 3,937,536</b>
<b>Total Revenues</b>	<b>\$ 28,895,711</b>	<b>\$ 32,144,607</b>	<b>\$ 34,081,773</b>	<b>\$ 36,213,329</b>	<b>\$ 38,517,302</b>
<b>Operating Expenses</b>					
<b>Water Supply Costs</b>					
SDCWA Purchased Water Costs	\$ 11,167,836	\$ 8,338,813	\$ 11,291,860	\$ 11,942,963	\$ 12,587,418
SMRCUP Supply Costs	612,878	1,219,265	871,128	905,973	942,212
<b>Subtotal Water Supply Costs</b>	<b>\$ 11,780,714</b>	<b>\$ 9,558,078</b>	<b>\$ 12,162,988</b>	<b>\$ 12,848,937</b>	<b>\$ 13,529,630</b>
Labor Costs	2,231,866	2,068,956	2,203,438	2,313,610	2,429,290
Fringe Benefits	1,214,646	1,337,251	1,410,800	1,481,340	1,555,407
Services, Materials & Supplies	1,766,888	2,450,856	2,561,145	2,663,590	2,770,134
Allocated Administrative Expenses	4,651,909	5,077,806	5,306,307	5,518,560	5,739,302
<b>Total Operating Expenses</b>	<b>\$ 21,646,022</b>	<b>\$ 20,492,948</b>	<b>\$ 23,644,678</b>	<b>\$ 24,826,036</b>	<b>\$ 26,023,764</b>
<b>Net Operating Revenue</b>	<b>\$ 7,249,689</b>	<b>\$ 11,651,659</b>	<b>\$ 10,437,096</b>	<b>\$ 11,387,293</b>	<b>\$ 12,493,538</b>
<b>Debt Service</b>					
<b>Total Debt Service</b>	<b>\$ 1,570,247</b>	<b>\$ 3,210,646</b>	<b>\$ 3,210,646</b>	<b>\$ 3,210,646</b>	<b>\$ 3,210,646</b>
<b>Capital Expenditures</b>					
<b>Total Capital Expenditures</b>	<b>\$ 4,660,188</b>	<b>\$ 8,345,500</b>	<b>\$ 8,377,737</b>	<b>\$ 6,924,977</b>	<b>\$ 6,791,366</b>
<b>Total Expenditures</b>	<b>\$ 27,876,457</b>	<b>\$ 32,049,093</b>	<b>\$ 35,233,060</b>	<b>\$ 34,961,659</b>	<b>\$ 36,025,775</b>
<b>Change In Net Position</b>	<b>\$ 1,019,254</b>	<b>\$ 95,514</b>	<b>\$ (1,151,287)</b>	<b>\$ 1,251,670</b>	<b>\$ 2,491,527</b>
Beginning Balances	\$ 18,068,843	\$ 19,088,097	\$ 19,183,611	\$ 18,032,323	\$ 19,283,994
Ending Balances	\$ 19,088,097	\$ 19,183,611	\$ 18,032,323	\$ 19,283,994	\$ 21,775,520

\* Starting in FY 2023-2024, the RTS is not treated as a pass-through and the Pumping Capital Improvement Charge is discontinued.

\*\*Property tax revenue reduced by \$546,000 in Fiscal Years 2022-23 and 2023-24 for Community Benefit Program.

Chart #1 - Water Fund Balances and Change in Target Level

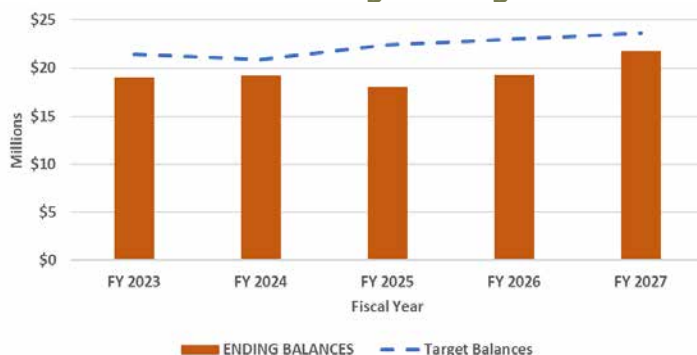


Table #3 - Fallbrook Public Utility District's Wastewater Projections

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Revenues</b>					
<b>Revenues from Rates</b>					
Revenues from Current Rates	\$ 6,820,069	\$ 6,820,069	\$ 6,830,299	\$ 6,840,545	\$ 6,850,806
Proposed Revenue Adjustments	-	151,269	455,655	763,756	1,075,637
<b>Subtotal Operating Revenues</b>	<b>\$ 6,820,069</b>	<b>\$ 6,971,339</b>	<b>\$ 7,285,954</b>	<b>\$ 7,604,301</b>	<b>\$ 7,926,443</b>
<b>Other Operating Revenues</b>					
Sundry	\$ 12,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
<b>Subtotal Other Operating Revenues</b>	<b>\$ 12,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>
<b>Non-Operating Revenue</b>					
Wastewater Capital Improvement Charge	\$ 1,244,630	\$ 1,328,198	\$ 1,394,608	\$ 1,450,392	\$ 1,508,408
Wastewater Capacity Fees	70,000	45,000	45,068	45,135	45,203
1% property Tax - IDS	1,105,537	1,235,000	1,247,350	1,259,824	1,272,422
Federal Interest Rate Subsidy	84,516	70,261	55,178	39,233	22,388
Investment Earnings	14,834	15,131	15,358	15,588	15,822
<b>Subtotal Non-Operating Revenues</b>	<b>\$ 2,519,518</b>	<b>\$ 2,693,590</b>	<b>\$ 2,757,562</b>	<b>\$ 2,810,172</b>	<b>\$ 2,864,243</b>
<b>Total Revenues</b>	<b>\$ 9,351,587</b>	<b>\$ 9,674,929</b>	<b>\$ 10,053,516</b>	<b>\$ 10,424,473</b>	<b>\$ 10,800,685</b>
<b>Operating Expenses</b>					
Labor Costs	\$ 1,370,210	\$ 1,536,968	\$ 1,636,871	\$ 1,718,714	\$ 1,804,650
Fringe Benefits	920,272	992,703	1,047,302	1,099,667	1,154,650
Services, Materials & Supplies	1,131,377	1,329,000	1,390,115	1,448,471	1,509,298
Allocated Administrative Expenses	2,544,013	2,776,925	2,901,887	3,017,962	3,138,681
<b>Total Operating Expenses</b>	<b>\$ 5,965,872</b>	<b>\$ 6,635,596</b>	<b>\$ 6,976,174</b>	<b>\$ 7,284,814</b>	<b>\$ 7,607,279</b>
<b>Net Operating Revenue</b>	<b>\$ 3,385,714</b>	<b>\$ 3,039,333</b>	<b>\$ 3,077,342</b>	<b>\$ 3,139,659</b>	<b>\$ 3,193,407</b>
<b>Debt Service</b>					
<b>Total Debt Service</b>	<b>\$ 1,733,383</b>	<b>\$ 1,733,212</b>	<b>\$ 1,734,864</b>	<b>\$ 1,731,618</b>	<b>\$ 1,731,769</b>
<b>Capital Expenditures</b>					
<b>Total Capital Expenditures</b>	<b>\$ 843,113</b>	<b>\$ 1,765,000</b>	<b>\$ 718,725</b>	<b>\$ 1,160,250</b>	<b>\$ 1,209,499</b>
<b>Total Expenditures</b>	<b>\$ 8,542,368</b>	<b>\$ 10,133,808</b>	<b>\$ 9,429,764</b>	<b>\$ 10,176,682</b>	<b>\$ 10,548,547</b>
<b>Change in Net Position</b>	<b>\$ 809,219</b>	<b>\$ (458,879)</b>	<b>\$ 623,752</b>	<b>\$ 247,790</b>	<b>\$ 252,139</b>
Beginning Balances	\$ 2,472,411	\$ 3,281,630	\$ 2,822,751	\$ 3,446,503	\$ 3,694,294
Ending Balances	\$ 3,281,630	\$ 2,822,751	\$ 3,446,503	\$ 3,694,294	\$ 3,946,432

Chart #2 - Wastewater Fund Balances and Change in Target Level

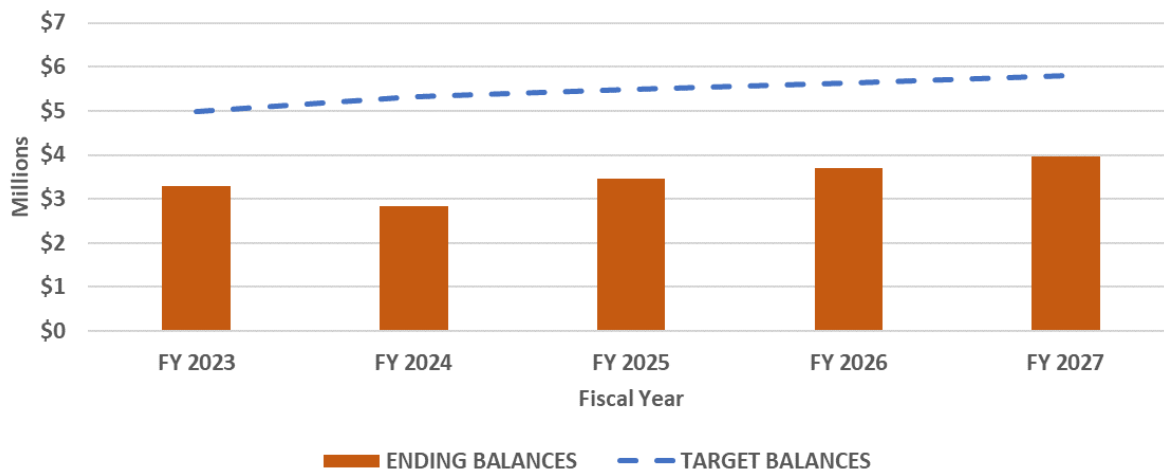


Table #4 Fallbrook Public Utility District’s Recycled Water Projections

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Revenues</b>					
<b>Revenues from Rates</b>					
Revenues from Current Rates	\$ 1,267,442	\$ 1,284,113	\$ 1,284,113	\$ 1,284,113	\$ 1,284,113
Proposed Revenue Adjustments	-	15,657	47,387	80,283	114,322
<b>Other Operating Revenues</b>					
SDCWA Incentive	\$ -	\$ -	\$ -	\$ -	\$ -
Sundry	5,000	5,000	5,000	5,000	5,000
<b>Subtotal Other Operating Revenues</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>
<b>Non-Operating Revenue</b>					
Grant Funds	\$ 569,957	\$ -	\$ -	\$ -	\$ -
1% Property Tax	54,030	65,000	54,572	54,844	55,393
Investment Earnings	(428)	4,030	3,206	3,160	3,893
<b>Subtotal Non-Operating Revenue</b>	<b>\$ 623,558</b>	<b>\$ 69,030</b>	<b>\$ 57,777</b>	<b>\$ 58,004</b>	<b>\$ 59,286</b>
<b>Total Revenue</b>	<b>\$ 1,896,000</b>	<b>\$ 1,373,800</b>	<b>\$ 1,394,278</b>	<b>\$ 1,427,400</b>	<b>\$ 1,462,721</b>
<b>Operating Expenses</b>					
Labor Costs	\$ 161,114	\$ 259,144	\$ 270,806	\$ 281,638	\$ 292,903
Fringe Benefits	107,097	167,377	176,583	185,412	194,682
Services, Materials & Supplies	223,210	217,500	227,288	236,379	245,834
Allocated Administrative Expenses	72,686	79,341	82,911	86,227	89,677
<b>Total Operating Expenses</b>	<b>\$ 564,107</b>	<b>\$ 723,362</b>	<b>\$ 757,587</b>	<b>\$ 789,656</b>	<b>\$ 823,097</b>
<b>Net Operating Revenue</b>	<b>\$ 1,331,893</b>	<b>\$ 650,438</b>	<b>\$ 636,691</b>	<b>\$ 637,744</b>	<b>\$ 639,624</b>
<b>Debt Service</b>					
<b>Total Debt Service</b>	<b>\$ 519,307</b>	<b>\$ 519,224</b>	<b>\$ 520,072</b>	<b>\$ 518,980</b>	<b>\$ 519,510</b>
<b>Capital Expenditures</b>					
<b>Total Capital Expenditures</b>	<b>\$ 539,678</b>	<b>\$ 119,000</b>	<b>\$ 119,700</b>	<b>\$ 69,888</b>	<b>\$ 68,141</b>
<b>Total Expenditures</b>	<b>\$ 1,623,092</b>	<b>\$ 1,361,586</b>	<b>\$ 1,397,359</b>	<b>\$ 1,378,524</b>	<b>\$ 1,410,748</b>
<b>Change in Net Position</b>	<b>\$ 272,908</b>	<b>\$ 12,215</b>	<b>\$ (3,081)</b>	<b>\$ 48,876</b>	<b>\$ 51,973</b>
Beginning Balances	\$ (71,401)	\$ 201,507	\$ 213,722	\$ 210,640	\$ 259,516
Ending Balances	\$ 201,507	\$ 213,722	\$ 210,640	\$ 259,516	\$ 311,490

Chart #3 - Recycled Water Fund Balances and Change in Target Level

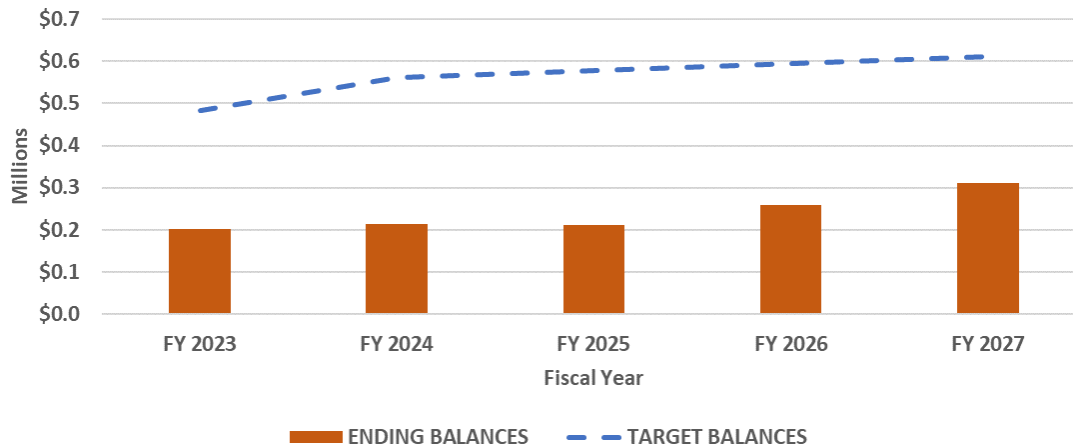


Table #5 Fallbrook Public Utility District’s Community Benefit Program Projections

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Revenues</b>					
<b>Non-Operating Revenue</b>					
1% Property Tax	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000	\$ 546,000
<b>Subtotal Non-Operating Revenue</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>
<b>Total Revenue</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>
<b>Operating Expenses</b>					
Labor Costs	\$ 6,961	\$ 1,464	\$ 1,464	\$ 1,464	\$ 1,464
Fringe Benefits	-	-	-	-	-
Services, Materials & Supplies	28,491	544,536	544,536	544,536	544,536
Allocated Administrative Expenses	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 35,452</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>	<b>\$ 546,000</b>
<b>Net Operating Revenue</b>	<b>\$ 510,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Position</b>	<b>\$ 510,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Beginning Balances	\$ -	\$ 510,548	\$ 510,548	\$ 510,548	\$ 510,548
Ending Balances	\$ 510,548	\$ 510,548	\$ 510,548	\$ 510,548	\$ 510,548

Table #6 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	FY 2012-13	FY 2013-14	FY 2014-15
<b>Changes in Net Position:</b>			
Operating Revenues	\$ 27,582,160	\$ 28,955,183	\$ 27,483,881
Operating Expenses	(28,007,733)	(33,062,764)	(28,604,249)
Other Operating Revenues	439,560	681,876	-
<b>Operating Income (loss)</b>	<b>\$ 13,987</b>	<b>\$ (3,425,705)</b>	<b>\$ (1,120,368)</b>
<b>Non-Operating Revenues (expenses)</b>			
Property Taxes Ad-Valorem	\$ 1,582,219	\$ 1,623,510	\$ 1,719,296
Capital Improvement Charges	1,252,501	1,981,822	2,134,025
California Solar Initiative Rebate	779,786	843,714	729,519
Investment income (Loss)	30,507	209,175	141,433
Lease Interest Income	-	-	-
Water Availability Charges	201,037	200,779	200,810
MWD Local Resource Program	-	-	-
Lease Revenue	181,100	183,641	185,770
Intergovernmental Revenue - Federal Interest Subsidy	-	-	206,584
Connection Fees	247,607	118,581	208,521
SDCWA Rate Refund	-	-	-
COVID Relief Grant	-	-	-
Water Supply Grant Funds	-	-	-
Gain on Impairment	-	-	(444,252)
Other Non-Operating Revenues	81,008	140,396	162,913
Other Non-Operating Expenses	(291,721)	(344,730)	(847,725)
<b>Total Non-Operating Revenues(expenses), net</b>	<b>\$ 4,064,044</b>	<b>\$ 4,956,888</b>	<b>\$ 4,396,894</b>
<b>Net income Before Capital Contributions</b>	<b>\$ 4,078,031</b>	<b>\$ 1,531,183</b>	<b>\$ 3,276,526</b>
Capital Contributions	595,205	76,746	153,790
Capital Grant - Proposition 50	-	828,598 <sup>(1)</sup>	224,596 <sup>(1)</sup>
Capital Grant - Proposition 84	-	-	-
Extraordinary Items	-	-	-
<b>Changes in Net Position</b>	<b>\$ 4,673,236</b>	<b>\$ 2,436,527</b>	<b>\$ 3,654,912</b>
<b>Net Assets</b>			
<b>Beginning, as restated</b>	<b>\$ 72,159,502</b>	<b>\$ 76,678,353</b>	<b>\$ 79,114,880</b>
Adjustments to restate balance	(154,385)	-	(7,734,801) <sup>(2)</sup>
<b>Ending, as restated</b>	<b>\$ 76,678,353</b>	<b>\$ 79,114,880</b>	<b>\$ 75,034,991</b>

(1) Capital Grant of \$828,598 was received from State of California Wildlife Conservation Board Proposition 50 Funding.

(2) Accumulative effect of change in accounting principles.

(3) State Proposition 50 in the amount of \$874,040 and State Proposition 84 in the amount of \$68,428 was received.

Source: FPUD Finance Department



Table #6 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years, cont.

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
\$ 25,356,017 (27,144,267)	\$ 27,256,065 (29,890,177)	\$ 29,882,022 (33,319,799)	\$ 26,944,550 (31,708,417)	\$ 28,931,007 (33,234,259)	\$ 32,511,601 (33,933,185)	\$ 32,814,986 (37,929,546)
-	-	-	-	-	-	-
<b>\$ (1,788,250)</b>	<b>\$ (2,634,112)</b>	<b>\$ (3,437,777)</b>	<b>\$ (4,763,867)</b>	<b>\$ (4,303,252)</b>	<b>\$ (1,421,584)</b>	<b>\$ (5,114,560)</b>
\$ 1,815,734 2,224,529 740,125 324,126 - 200,808 - 185,220 185,040 131,894 - - - (551,281) 91,361 (916,212)	\$ 1,889,808 2,283,558 234,930 63,861 - 200,730 - 166,012 238,765 238,124 - - - - 32,729 (1,174,011)	\$ 1,984,543 2,476,452 - 18,188 - 229,400 - 178,602 145,338 411,744 - - - (273,396) - (959,015)	\$ 2,106,034 2,505,876 - 915,275 - 204,359 - 199,433 134,924 180,966 - - - 9,338,297 - (909,966)	\$ 2,205,975 2,559,135 - 920,135 - 204,418 - 249,092 123,762 107,107 - - - (31,450) - (910,224)	\$ 2,340,185 2,604,061 - 1,543,078 - 208,842 - 251,047 112,207 149,650 909,413 - - 38,100 - (1,665,457)	2,397,429 2,650,202 - (1,835,245) 15,437 202,234 197,884 284,819 99,240 193,201 839,398 184,762 213,368 36,543 - (1,524,767)
<b>\$ 4,431,344</b>	<b>\$ 4,174,506</b>	<b>\$ 4,211,886</b>	<b>\$ 14,675,198</b>	<b>\$ 5,427,950</b>	<b>\$ 6,491,127</b>	<b>\$ 3,954,505</b>
<b>\$ 2,643,094</b>	<b>\$ 1,540,394</b>	<b>\$ 774,109</b>	<b>\$ 9,911,331</b>	<b>\$ 1,124,698</b>	<b>\$ 5,069,543</b>	<b>\$ (1,160,055)</b>
75,299 874,040 <sup>(3)</sup> 682,428 -	59,509 773,163 - -	73,661 - 67,100 -	73,789 - - -	372,507 - - -	47,842 - - -	59,898 - - -
<b>\$ 4,274,861</b>	<b>\$ 2,373,066</b>	<b>\$ 914,870</b>	<b>\$ 9,985,120</b>	<b>\$ 1,497,205</b>	<b>\$ 5,117,385</b>	<b>\$ (1,100,157)</b>
<b>\$ 75,034,991</b>	<b>\$ 79,309,852</b>	<b>\$ 85,168,437</b>	<b>\$ 86,083,307</b>	<b>\$ 97,207,549</b>	<b>\$ 98,704,754</b>	<b>\$ 103,822,139</b>
-	3,485,519	-	1,139,122	-	-	-
<b>\$ 79,309,852</b>	<b>\$ 85,168,437</b>	<b>\$ 86,083,307</b>	<b>\$ 97,207,549</b>	<b>\$ 98,704,754</b>	<b>\$ 103,822,139</b>	<b>\$ 102,721,982</b>

Chart #1 - Operating Expenses by Activity

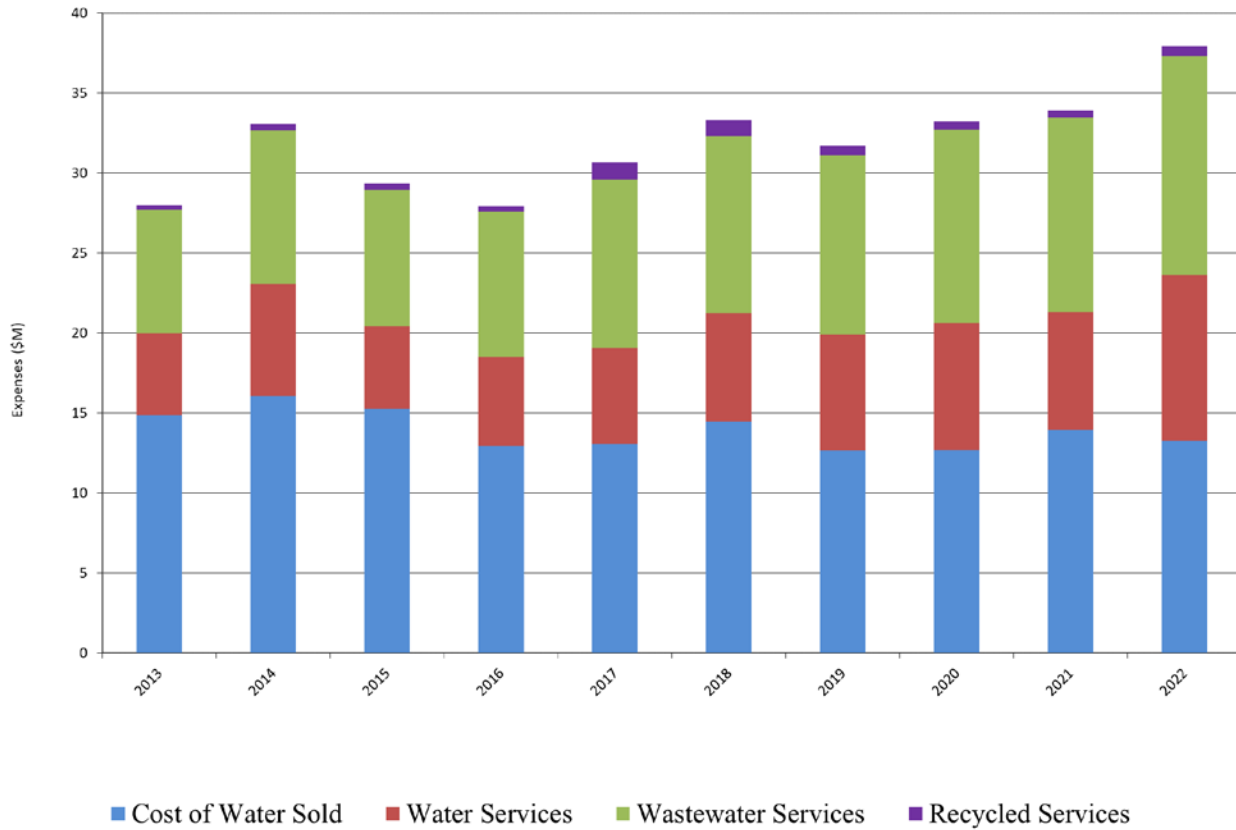


Chart #2 - Operating Revenues by Source

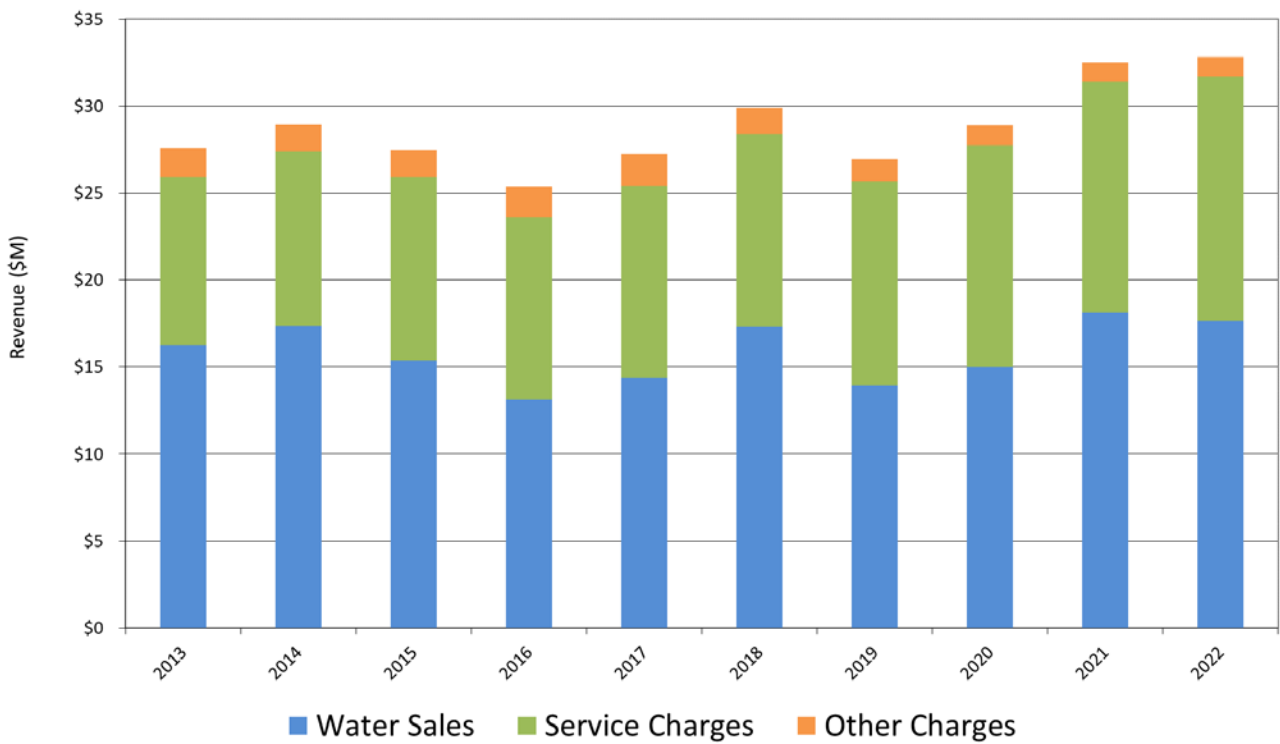


Table #7 - Summary of Services Approved Positions

Position	Actual FTE* FY 2021-22	Actual FTE* FY 2022-23	Proposed FTE* FY 2023-24
Accounting Technician I & II	2.0	2.0	2.0
Administrative Office Specialist	1.0	-	-
Assistant General Manager/Chief Financial Officer	1.0	1.0	1.0
Chief Plant Operator	1.0	1.0	1.0
Collections Supervisor	1.0	1.0	1.0
Construction Supervisor	-	-	1.0
Crew Leader	-	7.0	5.0
Customer Service Representative I & II	1.0	2.0	2.0
Customer Service Specialist	2.0	1.0	1.0
Engineering Manager	1.0	1.0	1.0
Engineering Technician I, II & III	3.0	3.0	3.0
Environmental Compliance Technician	1.0	1.0	1.0
Equipment Mechanic	1.0	1.0	1.0
Executive Assistant/ Board Secretary	1.0	1.0	1.0
Field Services Manager	1.0	1.0	1.0
General Manager	1.0	1.0	1.0
GIS Coordinator	1.0	1.0	1.0
Human Resources Manager	1.0	1.0	1.0
Human Resources Technician	-	1.0	1.0
Information Systems Technician	1.0	1.0	1.0
Instrumentation, Electrical & Controls Tech I & II	2.0	2.0	2.0
Laboratory Technician I & II	1.0	1.0	1.0
Lead Plant Operator	2.0	2.0	2.0
Maintenance Technician I & II	1.0	1.0	1.0
Management Analyst	1.0	1.0	1.0
Operations Manager	1.0	1.0	1.0
Operations Specialist	1.0	1.0	1.0
Plant Operator I & II	2.0	2.0	2.0
Public Affairs Specialist	1.0	1.0	-
Public Information Officer	-	-	1.0
Purchasing Warehouse Supervisor	1.0	1.0	1.0
Safety & Risk Officer	1.0	1.0	1.0
SCADA/Electrical/Maintenance Supervisor	1.0	1.0	1.0
Senior Accountant	1.0	-	-
Senior Maintenance Technician	1.0	1.0	1.0
Supervising Accountant	-	1.0	1.0
System Operations Supervisor	1.0	1.0	1.0
System Services Supervisor	1.0	1.0	1.0
Systems Operator I, II & III	4.0	4.0	5.0
Utility Technician	7.0	-	-
Utility Worker I, II & III	17.0	17.0	18.0
Warehouse Purchasing Specialist	1.0	1.0	1.0
<b>TOTAL FTE</b>	<b>69.0</b>	<b>69.0</b>	<b>70.0</b>

\* FTE - Full-Time Equivalents

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## Fallbrook Public Utility District 's Capitalization Policy

<b>FALLBROOK PUBLIC UTILITY DISTRICT</b>	<b>Standard Policy</b>		
	Drafted by:	CFO/General Manager	
	Original Date:	4-10-2018	
	Revision Date:		
Capital Policy	Review by department:	1 _____ 2 _____ 3 _____	4 _____ 5 _____ 6 _____
	Approved by:	General Manager	

**Purpose:**

To identify standard process for establishing capital versus operating expenses and placing items in the operating and capital improvement budgets

**Personnel:**

Accounting and Supervisors

**Policy:**

**General Policy**

The capital policy is established to distinguish capital and operating expenses and placement of projects and items in the Operating or Capital Improvement Budget. Capital expenses are recorded as capital assets and a depreciation schedule is established for these assets. Capital expenses will generally be identified in the Capital Budget as part of the Capital Program (CIP), which identifies the District's capital projects. This budget includes large multi-year construction projects as well as acquisitions of capital equipment and materials. The operational budgets may also include some items that are capitalized based on the criteria identified below:

**Definitions**

**Capital Budget:** part of the annual budget adopted by the Board of Directors that identified all Capital Projects for a division including construction projects and acquisition of capital equipment.

**Operating Budget:** Part of the annual budget adopted by the Board of Directors that identifies all on-going annual operating costs for a division.

**Construction Projects:** Includes actual physical projects completed to build new facilities or rehabilitate existing facilities.

**Plant Equipment:** Includes actual physical equipment that may or may not be a part of a larger facility. May include mobile equipment utilized by that division.

**Useful Life:** The period of time it is anticipate that the piece of equipment would normally last before having to be replaced. The useful life of the equipment can be extended due to a significant rehabilitation project on the equipment.

**Capital Projects**

A. Construction Projects

All construction projects for construction of new facilities will be capitalized and included in the Capital Improvements Program. The costs to be capitalized include the costs of associated studies, design, construction, equipment, construction management, legal and administrative expenses. Construction projects related to rehabilitation of existing facilities will be capitalized if the project extends the useful life of the asset for three or more years and the cost of the project related to the asset exceeds \$5,000. Repairs to existing pipelines, valves, meters, etc. that maintain the existing service and repair a leak or failure and do not extending the life of the asset by three or more years and do not exceed \$5,000 are not capitalized. For example, repairing a leak with a leak repair coupling does not change the assets service life and will be expensed even if the project costs exceed \$5,000. If a valve is replaced or a full section of pipe is replaced and the value exceeds \$5,000 the project will be capitalized and the service life adjusted.

**B. Plant Equipment**

*All Plant Equipment purchased with a value of \$5,000 or greater and a useful life of greater than three years will be capitalized. In general, these items will be included under the capital Improvement budget either as part of a larger capital improvement project or as an acquisition of capital equipment. Routine part replacement costs, such as air filters for the high efficiency blowers, are considered operating expense. Improvements to existing fixed assets may be capitalized and appear in the Capital Budget if they extend the useful life of the asset by three or more years and the cost of the improvement exceeds the \$5,000 threshold.*

**C. Office Equipment**

*Office equipment will be capitalized with a value of \$5,000 or greater and a useful life of greater than three years. Office equipment includes: Office furniture, cabinets, copiers, computer systems and other information technology system. This includes larger software system integrations including initial software costs and implementation costs. In general, these items will be included as a project in the Capital Improvement Program.*

## **Fallbrook Public Utility District 's Fund Balance Policy**

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### **Article 6. Budget and Fund Management**

#### **Sec. 6.1 District's Annual Budget.**

Preparation of the District Budget is directed by the Assistant General Manager/CFO. Working with the Fiscal Policy and Insurance Committee the General Managers develops annual financial goals and objectives for the budget in February. A first preliminary Budget is presented to the Committee/Board of Directors and public in April and a second preliminary Budget in May. The final Budget is presented in June for adoption, along with a resolution adopting a tax rate for Bonded Indebtedness.

The budgeting process is intended to create a transparent process that enables the Board of Directors to estimate the Districts revenues and expenses including employee compensation arising from negotiations and changes in other costs of operations.

##### **6.1.1 Annual Budget Resolution.**

The Board shall approve an annual budget resolution that establishes the total appropriation for the fiscal year based on the following budget categories:

1. Administration, operations, and maintenance
2. Water purchases and contingencies
3. Capital improvements and equipment
4. Revenue Bonds, State Revolving Fund, interest, and principal
5. Established annual Liquidity Fund level

In addition, the budget resolution shall identify any anticipated net withdrawal of District reserves for the Fiscal Year. Any unanticipated net withdrawal of District reserves shall be a separate board action. Any withdrawal of funds from long-term investments, as shown in the District's Treasurer's Report, shall require prior Board approval.

Any spending above the established appropriations or additional withdrawal of reserves shall require Board approval. As part of the annual budget process, the Board will review and approve the District's liquidity fund level.

#### **Sec. 6.2 Treasurer's Fund.**

The Treasurer's Fund is established primarily to account for all District cash and investments and also to record detailed accounting for fringe benefits. Revenues are obtained from a budgeted mark-up on District labor. Revenue and Expense accounts in this fund are closed to the Utility fund annually.

#### **Sec. 6.3 General Fund.**

The General Fund shall consist of accounts for property tax revenues and appropriations to other funds as determined by the Board.

#### **Sec. 6.4 Utility Funds.**

The Utility Funds consists of three separate funds reflecting the operating departments of Water, Wastewater and Recycled Water. The funds reflect the revenues from water sales, monthly service charges and other recurring fees and all expenses, including Operating and Maintenance (O&M) and General & Administrative (G&A).

Sec. 6.5 Capital Funds.

The Capital Funds consists of all Property, Plant and Equipment and the expenditures as well as revenues from Capital Improvement Charges that are dedicated/restricted to capital expenditures. All use of revenues in the Capital Funds is restricted to capital investments, which includes capital assets as defined by the District's accounting policy and debt service. Sources of funding and expenditures for capital assets are maintained in three separate funds:

Water – all capital assets associated with the water treatment and distribution system; all administrative buildings and equipment; and all construction equipment and vehicles.

Wastewater – all capital assets associated with treatment facilities and the wastewater collection system.

Recycled Water – all capital assets associated with the recycled water facilities and the recycled water distribution system.

Sec. 6.6 Equipment Fund.

The Equipment Fund consists of all expenses for field equipment operations, maintenance, repair and replacement. Revenues are obtained from a budgeted mark-up on District labor. Revenue and expenses are closed to the Utility fund annually.

Sec. 6.7 Debt Service Funds.

Debt Service funds shall be established to account for General Obligation Bonds, Certificates of Participation, or other indebtedness which the District may incur for construction, completion, or acquisition of works, for the treatment, storage and distribution of water and water rights, including dams, reservoirs, storage tanks, treatment facilities, pipes, pumping equipment, and all necessary equipment and property therefor. The funds shall record annual transactions showing source of revenue, and both interest and principal payments.

Sec. 6.8 Appropriated Fund Balances.

Appropriated Fund Balances shall be established to provide adequate funding to meet the District's short term and long term plans and commitments; to minimize adverse annual and multi-year budgetary impacts from unanticipated expenditures; and to preserve the financial stability of the District against present and future uncertainties in an ever-changing environment. The following Appropriated Fund Balances will be established and maintained.

6.8.1 Utility Funds Appropriated Fund Balances.

1. Water.

- a) Working Capital. To be established and maintained at a level of three months operating and maintenance expenses including water purchases.



- b) Santa Margarita Debt Payment Fund. To prevent “spikes” and mid-year changes in rates because of net revenue shortfalls due to weather conditions, state or federal legislation or other future uncertainties. The target level is set equal to 2-years of debt service payments on the Santa Margarita Conjunctive Use Project financing.

2. Wastewater.

- a) Working Capital. To be established and maintained at a level of three months operating and maintenance expenses.
- b) Rate Stabilization Fund. To promote smooth and predictable rates and charges a Rate Stabilization Fund is established with a target of level equal to 10% of annual revenues.

3. Recycled Water.

- a) Working Capital. To be established at three months operating and maintenance expenses.

6.8.2 Utility Capital Funds Appropriated Fund Balances.

1. Water Capital Fund.

The primary source of funds are the Water and Pumping Capital Improvement charges, annexation fees, connection fees and meter fees. Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

- a) Funds related to the 1958 Annexation and the DeLuz Service Area bond proceeds are tracked separately in the fund.

2. Wastewater Capital Fund.

The primary source of funds are Wastewater Capital Improvement Charges, connection fees and meter fees. Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

3. Recycled Water Capital Fund.

Target fund balance is set to the equivalent of 3-year average expenditures on recurring capital projects (*i.e.* pipeline renewal/replacement).

6.8.3 Debt Service Funds.

Each borrowing activity is maintained within a separate Debt Service fund. Some indentures require the establishment of a reserve fund and the District must comply with any creditor imposed requirements. Since sources of funding to repay each debt instrument varies, the possibility of that inflow being interrupted is

likely/possible with different issues in differing circumstances. Because of the possibility of this interruption, each Debt Service Fund should establish an Appropriated Fund Balance equal to the next year's total debt service (principal and interest).

Sec. 6.9 Petty Cash.

The responsibility for and the accountability for the petty cash fund is assigned to the Assistant General Manager/CFO and/or the Accountant. The fund at all times will total \$400.00 in cash and disbursement receipts. When an employee requires reimbursement, not-to-exceed \$50.00, for an out-of-pocket District expense, a petty cash voucher is filled out and the receipts for purchases attached.

Reimbursement will not be made from the petty cash fund without the immediate supervisor's approval on the petty cash voucher and receipts attached thereto.

During the planned absence of either the Assistant General Manager/CFO or Accountant, the Supervising Accounting Assistant will be authorized to make petty cash reimbursements. Prior to assumption of these duties, cash in the fund will be counted and verified by both the Assistant General Manager/CFO and Accountant.

Periodic audits will be performed as required by District management or the Auditor. Checks drawn to replace the disbursement will be processed in the same manner as any other invoice paid by the District.

<b>ARTICLE</b>	<b>15</b>
<b>(Renumbered</b>	<b>as</b>
<b>Article 6</b>	<b>by</b>
<b>Resolution 5006)</b>	
Sec. 15.8 - Rev.74/97	
Sec. 15.4 & 15.5 – Rev. 4/03	
Sec. 15.8 added 4/03	
Sec. 15.1 & 15.9 – Rev. 6/06	
Sec. 15.9 – Rev. 8/08	
Sec. 15.6 – Rev. 9/09	
Sec. 15.8.1 – Rev. 12/09	
Secs. 15.1, 15.5, 15.8.1, 15.8.2, 15.8.4, 15.9 – Rev. 1/18	
Secs. 15.1.1, 15.8.1 – Rev. 2/19	
Sec. 15.1.1 – Rev. 4/19	
Sec. 15.1 – Rev. 7/19	

## Fallbrook Public Utility District's Investment Policy

### Article 18. Investment Policy

#### Sec. 18.1 General.

The District's Investment Policy and practices of the District Treasurer are based on prudent money management principles and California Government Code, specifically Sections 53600 and 53630 et. seq.

18.1.1 Delegation of Authority. The Board of Directors delegates the investment authority of the District to the Treasurer under the supervision of the General Manager. The Treasurer shall deposit money under the Treasurer's supervision and control in such institutions and upon such terms as the laws of the State of California and the Board of Directors may permit.

The Treasurer may delegate day-to-day investment decision making and execution authority to an investment advisor. Eligible investment advisors must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940. The advisor will follow the Policy and such other written instructions as are provided by the District.

18.1.2 Investment Objectives. The practices of this District will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws, allowing for the dynamics of the money markets, will be the focus of this Investment Policy. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the objectives of this District shall be:

1. The primary objective shall be to safeguard the principal of the funds under the Treasurer's control.
2. The secondary objective shall be to meet the liquidity needs of the District.
3. The third objective shall be to achieve a return on the funds under control of the Treasurer within the parameters of prudent risk management.

18.1.3 Prudent Investor Standard. The Board of Directors, General Manager, and Treasurer adhere to the guidance provided by the "prudent investor standard," California Government Code (Section 53600.3), which obligates a fiduciary to insure that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Sec. 18.2 Treasurer's Annual Statement of Investment Policy.

The following is the District's annual statement of investment policy rendered pursuant to Section 53646 (a) of the Government Code:

18.2.1 Security of Principal Policy. The policy issues directed to protecting the District are:

- a) Limiting exposure to each type of security.
- b) Limiting exposure to each issue and issuer of debt.
- c) Determining the minimum credit requirement for each type of security at the time of purchase.

18.2.2 Liquidity Policy. The policy issues directed to provide necessary liquidity are:

- a) Limiting the length of maturity for securities in the portfolio.
- b) Limiting exposure to illiquid securities.

18.2.3 Return Policy. The policy issues directed to achieving a return are:

- a) Attaining a market rate of return taking into account the investment risk constraints and liquidity needs.
- b) Return is of least importance compared to the safety and liquidity policies described above.
- c) Majority of the investments shall be limited to low risk securities in anticipation of earning a fair return relative to the risk being taken.
- d) The performance of the portfolio shall be compared to an industry benchmark established by the Fiscal Policy and Insurance Committee and shall be reported quarterly. The Fiscal Policy and Insurance Committee shall review the performance benchmark on an annual basis to ensure that it remains appropriate for the District's investment objectives. The Fiscal Policy and Insurance Committee will bring any recommended changes to the industry benchmark to the Board for approval.

18.2.4 Maturity Policy. The maximum maturity allowed by the California Government Code is five (5) years with shorter limitations specified for specific types of securities. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five-year maturity limit. Such approval must be issued no less than three (3) months prior to the purchase of any security exceeding the five-year maturity limit.

18.2.5 Prohibited Securities. The California Government Code does not authorize a local agency to invest in any of the following derivative notes:

- a) Inverse Floater
- b) Range Notes
- c) Interest-only strips derived from a pool of mortgages
- d) Any security that could result in zero interest accrual, except as authorized by Government Code Section 53601.6.

Sec. 18.3 Internal Controls.

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed benefits likely to be derived; and, 2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the Treasurer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

Control of Collusion: Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

Separation of Transaction Authority from Accounting and Record Keeping: By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.

Custodial Safekeeping: Securities purchased from any bank or dealer including appropriate collateral (as defined by Government Code) shall be placed with an independent third party for custodial safekeeping.

Avoidance of Physical Delivery Securities: Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

Clear Delegation of Authority to Subordinate Staff Members: Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

Written Confirmation of Telephone Transactions for Investments and/or Wire Transfers: Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.

Development of a Wire Transfer Agreement with the Lead Bank or Third Party Custodian: This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

Sec. 18.4 Permissible Investments.

Where this Policy specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Credit criteria listed in this Policy refers to the credit rating at the time the security is purchased. If an investment advisor is used and an investment's credit rating falls below the minimum rating required at the time of purchase, the investment advisor will immediately notify the Treasurer. The securities shall be reviewed and a plan of action shall be recommended by the Treasurer or investment advisor. The course of action to be followed will be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further drop, and market price of the security. The Fiscal Policy and Insurance Committee will be advised of the situation and intended course of action by e-mail or fax.

The District will limit investments in any one non-government issuer, except investment pools and money market funds, to no more than 5% regardless of security type.

Government Code 53601 addresses permissible investments. These investment categories are:

18.4.1 Government Obligations. Two categories of Government Obligations, U.S. Treasury and Agency obligations may be invested. Both are issued at the federal level. U.S. Treasury obligations are United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. Agency obligations are federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises..

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is unlimited.

- 1) Treasury: Unlimited.
- 2) Agencies: Unlimited. No more than 75% of the portfolio value shall be invested in any single issuer.

Minimum Credit Requirement: None.

18.4.2 Banker's Acceptance. This is a draft or bill of exchange, accepted by a bank or trust company and brokered to investors in a secondary market. The purpose of the banker's acceptance (BA) is to facilitate trade and provide liquidity to the import-export markets. Acceptances are collateralized by the pledge of documents such as invoices, trust receipts, and other documents evidencing ownership and insurance of the goods financed.

Maximum Maturity: The maximum maturity of an issue shall be 180 days.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 25%.

Minimum Credit Requirement: "A-1" or equivalent by a nationally recognized statistical rating organization (NRSRO)

18.4.3 Commercial Paper. These are short-term, unsecured, promissory notes issued by firms in the open market. Commercial paper (CP) is generally backed by a bank credit facility, guarantee/bond of indemnity, or some other support agreement. The entity that issues the commercial paper must meet all of the following conditions in either paragraph a or paragraph b:

- a. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of "A", the equivalent or higher by a NRSRO.
- b. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Maximum Maturity: The maximum maturity of an issue shall be 270 days.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 25%. The District may invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

Minimum Credit Requirements: "A-1", the equivalent or higher by a NRSRO.

18.4.4 Medium-Term Notes. Corporate and depository institution debt securities issued by corporations organized and operating within the United States, or by depository institutions licensed by the U.S. (or any state) and operating within the U.S.

Maximum Maturity: The maximum maturity of an issue shall be 5 years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 30%. The District may invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher by a NRSRO

18.4.5 Repurchase Agreements. A repurchase agreement (RP) consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the District), the other is the commitment by the seller (i.e., a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

Maximum Maturity: The maximum maturity of repurchase agreements shall be up to one year.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category shall be 10%.

Minimum Credit Requirements: None

18.4.6 Negotiable Certificates of Deposit. Certificates of deposit must be issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

Maximum Maturity: The maximum maturity of an issue shall be five (5) years.

Maximum Exposure to Portfolio: The maximum exposure to the portfolio for this category shall be 30%.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for CDs issued with a long-term rating and “A-1” or higher for CDs issued with a short-term rating or their equivalents by a NRSRO.

18.4.7 State Local Agency Investment Fund (LAIF). There is no limit by law on the amount of funds that can be placed in this account. Interest is paid directly into the account by the State Local Agency Investment Fund.

18.4.8 San Diego County Treasurer’s Fund. There is no limit by law on the amount of funds that can be placed in this account. Interest is paid directly into the account by the County Treasurer.

18.4.9 Passbook and Money Market Savings Accounts. Savings accounts and/or money market accounts shall be maintained for monies that are needed on a day-to-day basis.



18.4.10 State Obligations / State of California and Other States. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or by a department, board, agency or authority of the state.

Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for 18.4.10 and 18.4.11-California Local Agency Obligations, category shall be a combined 25% of the book value of the investment portfolio. No more than 5% of the book value of the portfolio at the time of purchase may be invested in bonds issued by any one agency.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for obligations issued with a long-term rating and “A-1” for obligations issued with a short-term rating or their equivalents by a NRSRO .

18.4.11 California Local Agency Obligations. Bonds, notes warrants or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for 18.4.10 and 18.4.11-California Local Agency Obligations, category shall be a combined 25% of the book value of the investment portfolio. No more than 5% of the book value of the portfolio at the time of purchase may be invested in bonds issued by any one agency.

Minimum Credit Requirements: Rated in a rating category of “A”, the equivalent or higher for obligations issued with a long-term rating and “A-1” for obligations issued with a short-term rating or their equivalents by a NRSRO.

18.4.12 Joint Powers Authority Pool. The investment with a Joint Powers Authority Pool is mandated by that pool. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria: (1) The adviser is registered or exempt from registration with the

Securities and Exchange Commission; (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive; and (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is unlimited.

Minimum Credit Requirement: None.

#### 18.4.13 Money Market Mutual Funds.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 20%.

Minimum Credit Requirements: A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.

A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.

18.4.14 Mortgage Pass-Through Securities and Asset-Backed Securities. A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 20%.

Minimum Credit Requirements: Rated in a rating category of "AA", the equivalent or higher by a NRSRO.

18.4.15 Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

Maximum Maturity: The maximum maturity of an issue shall be the current 5 year issue or an issue which at the time of the investment has a term remaining to maturity not in excess of five (5) years.

Maximum Exposure of Portfolio: The maximum exposure to the portfolio for this category is 30%.

Minimum Credit Requirements: Rated in a rating category of “AA”, the equivalent or higher by a NRSRO.

Approval: Investments in supranational securities may only be made with prior approval of the Fiscal Policy and Insurance Committee.

Sec. 18.5      Maturity/Limit of Investments.

With the exception of U.S. Treasury and Federal Agency securities, the maturity of a give investment will not exceed five (5) years, without prior board approval per Section 18.2.4.

Sec. 18.6      Reporting Requirements.

The Treasurer shall prepare a quarterly investment report to the Board of Directors that provides an overview of the District’s investments and lists the investment transactions for the period. The report shall also (1) state the compliance of the portfolio with the statement of investment policy, or the manner in which the portfolio is not in compliance, and (2) the report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available. The Treasurer shall also provide the Board a summary report of investments on a monthly basis.

A subsidiary ledger of investments may be used in the report in accordance with accepted accounting practices.

In the event that an investment originally purchased within policy guidelines is downgraded by any one of the credit rating agencies, the Treasurer shall report it at the next regular scheduled meeting of the Board.

**ARTICLE 27 (Renumbered as Article 18 by Resolution 5006)**

Revised in its entirety: 2/94  
 Adopted in current form: 1/96, 1/97, 1/98, 1/99  
 Sec. 27.2.4 – Rev. 1/00  
 Adopted in current form: 1/01  
 Sec. 27.4.7 – Rev. 10/01  
 Sec. 27.6 – Rev. 1/03  
 Sec. 27.2.4 – Rev. 1/07  
 Sec. 27.4.4 – Rev. 3/07  
 Secs. 27.2.3, 27.4.1(2), 27.4.2, 27.4.3, 27.4.4, & 27.4.6 – Rev. 9/07  
 Sec. 27.2.1 – Rev. 1/10  
 Secs. 27.4.10-12 – Rev. 1/12  
 Secs. 27.2.4, 27.2.5, 27.4.5, 27.4.6, 27.4.7, 27.4.10, 27.4.11, 27.4.13, 27.4.14, 27.5 – Rev. 2/13  
 Secs. 27.4.6, 27.4.11 – Rev. 1/14  
 Secs. 27.1, 27.1.1, Attachment A – Rev. 3/15  
 Secs. 27.1, 27.1.1, 27.1.2, 27.1.3, 27.2, 27.2.3, 27.2.4, 27.3, 27.4, 27.4.1, 27.4.2, 27.4.3, 27.4.4, 27.4.6, 27.4.10, 27.4.11, 27.4.12, 27.4.13, 27.4.14, 27.4.15, 27.5 – Rev. 2/16  
 Secs. 27.2.4, 27.4, 27.4.3, 27.4.4, 27.4.6, 27.4.10, 27.4.11, 27.4.14, 27.4.15 – Rev. 3/17  
 Sec. 27.2.3 – Rev. 6/18  
 Sec. 27.6 – Rev. 7/18  
 Sec. 27.4.14 – Rev. 2/19  
 Sec. 18.2.5 – Rev. 6/21  
 Sec. 18.4.3 – Rev. 6/21  
 Sec. 18.4.4 – Rev. 6/21

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## District's Pension Benefits

The District participates in CalPERS and has two benefit tiers. The Classic employees are eligible to receive 2.5% of their single highest annual salary for each year of service at the age of 55. An employee hired after January 1, 2013, and is new to CalPERS, or those that have had a break in service of more than six-months fall under the California Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA employees are eligible to receive 2.0% of the highest three-year average annual salary for each year of service at the age of 62. Both Classic and PEPRA employees are potentially subject to salary maximums when determining their benefit.

### CalPERS Unfunded Actuarial Accrued Liability (UAAL):

The AUL is portion of the pension liability that has been earned but has not been fully funded. The liability is estimated by an actuary based upon many different underlying assumptions. CalPERS amortizes these existing liabilities over a 30-year period. The payment schedule for the Unfunded Liability is shown below for both Classic and PEPRA. The District's net pension liability in Fiscal Year 2020-21 was \$11.5 million. In Fiscal Year 2021-22, the latest CalPERS valuation date, the District's pension liability was 79.2% funded for Classic employees and 104.2% funded for PEPRA employees. Overall, including the Pension Trust Funds, the District has funded 85% of its pension liabilities.

Fiscal Year Ending (6/30)	Classic	PEPRA	Total
FY 2022-23	\$1,237,755	\$-	\$1,237,755
FY 2023-24	1,230,501	-	1,230,501
FY 2024-25	1,187,448	-	1,187,448
FY 2025-26	1,141,019	-	1,141,019
FY 2026-27	1,074,139	-	1,074,139
FY 2027-28	1,114,452	-	1,114,452
FY 2028-29	1,155,892	-	1,155,892
FY 2029-30	1,198,439	-	1,198,439
FY 2030-31	1,242,285	-	1,242,285
FY 2031-32	1,226,643	-	1,226,643

### Current Normal Cost

The Normal Cost Rate (NCR) is the percentage of payroll that is contributed to CalPERS to pay for the benefit earned by employees in the current year. This rate is expressed as a percent of payroll. The NCR for Classic employees for Fiscal Year 2023-24 is 14.92% of payroll, which is up from the Fiscal Year 2022-23 which was 13.02%. The NCR for PEPRA employees is 8.0% of payroll in Fiscal Year 2023-24 and was 7.76% in Fiscal Year 2022-23.

## District's 115 Pension Trust

As part of the District's commitment to fiscal sustainability, a Section 115 Pension Trust has been established. The trust holds assets pledged to pay for future pension related expenses. The Trust as of March 31st held \$8.6 million.

## District's Other Post-Employment Benefits (OPEB)

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Effective January 7, 2022, the District provides a retiree healthcare benefit to employees who were hired before July 1, 2022, have ten years of service and are 50 or older. Under the OPEB benefit the District pays for half of the employees' health insurance premium until the beneficiary is 65-years old. The employee must contribute the other half of the insurance premium. The District has established the Section 115 Pension and OPEB Trust Fund (See Fund Structure Section) to fund the District's OPEB liabilities. The District's OPEB liability is almost fully funded based upon an actuarial valuation report as of June 30, 2021. As of March 31, 2023, the OPEB Trust Fund held \$1,122,669.